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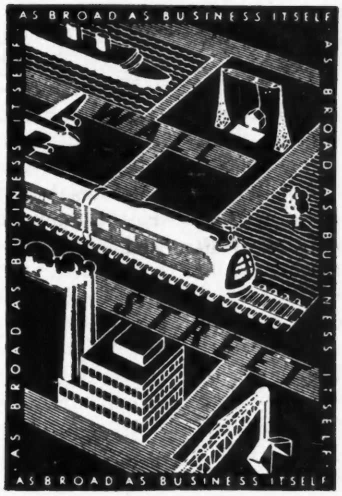
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher*



The Trend of Events

FULL PRODUCTION AHEAD? Seldom, if ever, has the world witnessed a more anomalous period in history than the one through which we are passing. The distinctive feature of our times is the fact that unparalleled good and adverse factors coexist side by side, all of which contributes to the contradictory appearance of the business picture. It is for this reason that we have advocated a policy of cautious discrimination both in business planning and investment policy.

It is against the present confusing background that the report just issued by the Civilian Production Administration makes interesting reading. According to CPA, full production will be attained in six months, *provided* there are no strikes. The analysis goes on to predict that inside three months, industrial output will be sufficient to reverse the present uptrend in prices, except for certain special situations such as tin, lead, print cloth and others. Food prices, according to the survey, will drop sharply, with greatly expanded output, and various industrial raw materials will tend downward around the year-end. The average wholesale price level will gradually settle about 5% above the level of last June 30, according to the CPA economists. The report makes the further assertion that some "demand" backlog figures are much inflated, a contention with which we generally agree.

There is much in the CPA forecast with which we are in accord. Certainly the potentials for record production and unparalleled prosperity have never been greater. But these roseate prospects must be balanced against the other side of the ledger, and certainly one qualification in the CPA report is well taken—the misgivings about possible labor troubles. The ever-present threat of renewed wage demands and strikes hangs over industry like a Damoclean sword, and is the one major factor which could stifle recovery if it materializes on any appreciable scale. The trend of industrial activity bears closer watching than ever from this point on.

RUSSIAN LOAN?—The Magazine of Wall Street has long believed that it can best serve its clients' interests by looking ahead and anticipating new trends before they materialize. In some instances, our policy is to take a definite editorial position on major issues if they affect the welfare of the nation as a whole or of investors in particular. For this reason, we consistently supported the recent British loan right up to the time of its passage, in the conviction that the world at large will eventually benefit therefrom through restoration of world trade and bolstering of the free enterprise system at a time when it is being challenged by Statism.

But because we have supported the loan to Britain implies no blanket endorsement of each and every foreign request for our fiscal aid. Each situation must be judged on its individual merits and appraised by the same standard as was the British loan: will it enhance economic freedom and our national interests? When the answer to that query is negative, we would oppose a foreign loan as an unsound proposition.

It is in this light that we regard any contemplated loan to Soviet Russia. Our mentioning this at the present time may seem premature to some, but hints have appeared here and there in the press

of Soviet requests for an American loan. Officially, Washington states that no such loan is "likely this year," the implication being that 1947 might be a more propitious timing. According to our informaton, the state of American public opinion must first be gauged before such a grant can even be discussed. If such overtures on a Russian loan are trial balloons to test American reaction, we should not be slow in telling where we stand.

It is our considered opinion that a loan to Russia would offset many of the advantages of the grant to Britain, because we would be aiding a system which has only too clearly shown its hostility to ours. Even casual perusal of the Moscow dispatches of late shows a steady stream of abuse and viterupation aimed at free enterprise in general and this country in particular. The old Marxist epithets against "decadent capitalism," "monopolists" and "oppressors of the working classes" are being trotted out for reuse through the pages of "Pravda," "Izvestia" and other Soviet papers. And these organs, it must be remembered, represent official Kremlin policy. There are no "free" newspapers or periodicals in the American sense circulating in Russia today.

That Moscow would seek to discredit us on one hand and seek to borrow from us on the other should surprise no one. Such a line of reasoning is not inconsistent to the Kremlin mind.

But this nation, at least, has the advantage of refusing a loan to Russia if we so choose. Not all lands are so fortunately placed. Sweden just recently announced a "loan" of one billion kroner to Russia, approximating $275 million in U. S. funds. But considering Sweden's population of only 6 million, the per capita grant would be equal to a $6½ billion loan by this country, a staggering sum, especially for a small nation. Ostensibly, the grant is for trade promotion purposes and to improve relations between the two lands, but those conversant with the facts behind the scenes hint knowingly as about the pressures brought to bear in Stockholm.

As already stated, we are strong enough to refuse financing a system so diametrically opposed to our way of life. We are not speaking here of relief agencies for the Russian people, but of official fiscal aid to the Soviet government. To finance Russia in any way is to underwrite a system avowedly opposed to our own. If the issue of a Russian loan is raised in the future—as we expect it will be—we should all make our position unmistakably clear to those in authority.

THE NEW OPA—The question of price control has been one of the all-important factors dominating the business outlook and security markets. Upon its final disposition hinge such vital matters as corporate profits, industry's ability to produce, and the ability of the consumer to satisfy everyday needs at reasonable prices. We all have a direct stake in the outcome.

After some 25 days of "free" markets, OPA, or a semblance thereof, was revived and reinstated as the law of the land with regard to price control. To what extent the new measure will be able to cope with the situation remains to be seen. As might be expected, the claims of both its foes and friends are exaggerated in both directions, and the acrimony attending debate on the subject produced more heat than light.

Viewing the new legislation as objectively as one can under the circumstances, certain basic facts stand out as a guide for analysis on its probable business effects. First of all, it is a patchwork of improvisation, satisfying very few, least of all President Truman, who signed it only half-heartedly and with outspoken misgivings. Insofar as control is concerned, it is only a ghost of the old OPA, and even that legislation was fast losing much of its own price restraining ability through decontrol measures and raising of price ceilings by the regulatory authorities. Moreover, its area of actual control is much narrower, being confined to fewer items.

Rent, as might be expected, was the principal object of rigid control, with rollbacks to the June 30 level in view. The food control situation is more obscure, with no ceilings indicated on about half the edible products until August 21, and such ceilings as may then be imposed will depend largely upon the attitude of the decontrol board. Among the "no-ceiling" foods indicated are meats, grains, milk, butter, cheese, poultry and eggs. Manufactured goods present a rather contradictory situation, for although price restraint is the prime objective, higher prices nevertheless seem inevitable for some products because of provisions in the bill guaranteeding profit margins. Scarce items such as automobiles and home appliances are most likely to be affected by this provision. Clothing prices, particularly, may be difficult to hold at present levels, according to Mr. Truman's own comments on the new legislation.

Probably most important is the setting up of a decontrol board, which will have sweeping powers in regulating prices. The three-man board chosen by the President are Daniel W. Bell, former Undersecretary of the Treasury; George H. Mead, chairman of the Mead Corp., and Roy L. Thompson, president of the Federal Land Bank of New Orleans. Upon the capabilities and inclinations of these three men in meeting specific situations as well as the overall problem rests the future of price control. The board can overrule the OPA Office and the Secretary of Agriculture in deciding what items should be freed from price control *or brought back under them.*

What all this boils down to, therefore, is that it removes from the security markets now the question of what kind of price control would be instituted, but it may well raise a host of new questions as time goes on. There are too many imponderables in the situation: how the decontrol men will work out, how successful will be the application of the corporate profits formula, and the prospect of replacing ceiling free items back under control.

As I See It!

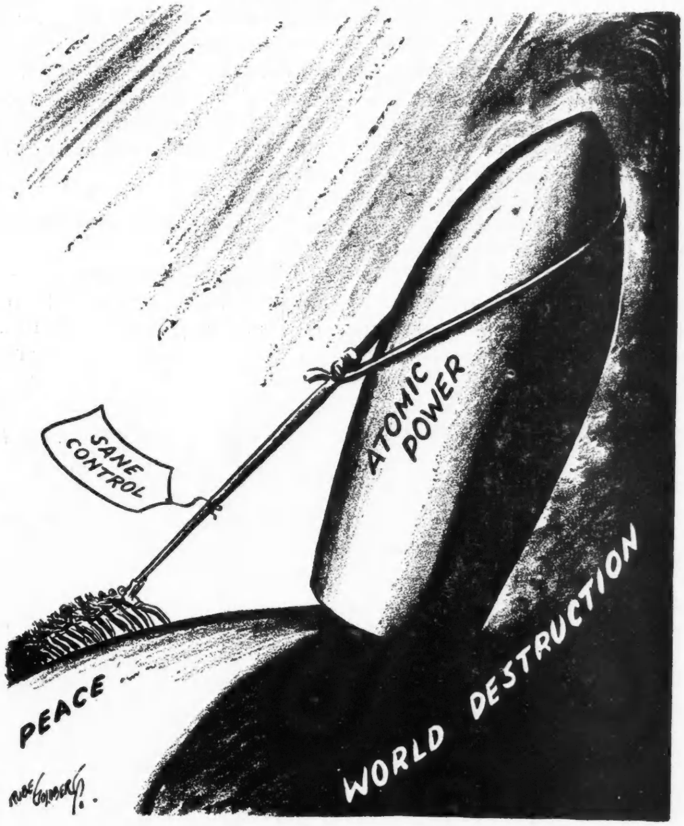
By ROBERT GUISE

ATOMIC POLITICS

THIS IS THE AGE of atomic politics. If there is any doubt on this score, one has only to note the reactions of foreign military observers and government chancelleries to the recent test demonstrations at Bikini. Any misgivings as to the bomb's effectiveness after the first demonstration were completely erased after the second blast, which settled beyond all doubt the position of atomic energy in modern military strategy.

By the same token, the atomic bomb now pervades the whole field of diplomacy. It is implicit in all the discussions taking place at Paris as the foreign ministers and plenipotentiaries assemble to map out the postwar world and the foundations for lasting peace. But on wonders how effectual these efforts will prove to be, considering the obstacles which lie on the road to peace and world harmony. The actual fighting has long since ceased, but there is no real peace, nor prospect of any in the foreseeable future. Admittedly, such analysis is anything but cheerful, but we feel that realistic appraisal is a far safer course than self-deluding optimism which has no foundations.

LEANING TOWER



Thanks to New York Sun.

What makes the outlook so unimpressive is the fact that never before has the western world faced such a combination of dangers. The centuries-old balance of power in Europe has been upset—at least for the present, and perhaps indefinitely—and Russian military power is in a position to dominate the Continent and most of its strategic control centers. The Red Army has not only moved halfway across Europe but from the standpoint of logistics and military pressure, it can threaten many areas not directly under its control.

It is with such strong trump cards in her possession that Russia comes to the peace conference. By sheer preponderance of armed force, she is in a position to force her way on major issues—up to a point. But there are limitations to Russia's position, both militarily and diplomatically. One major offset to Soviet power is the growing antagonism of the Western powers. Already there is talk of a "western bloc" out of which a "United States of western Europe" may yet emerge. Another check on Moscow's bargaining position is the atomic bomb.

Whether she actually possesses the technical "know how" for making the bomb, and the further ability to wage atomic warfare is one of the moot questions of the day. On this question, probably no one outside the Kremlin knows the full answer. But if one is to deduce certain things from Russia's conduct, it may be inferred that she does *not* possess either the bomb or the secret of its utilization. All her conduct to date, and especially on the diplomatic front suggests that she realizes her weakness in this respect and that she must offset it by bluff and diplomatic effrontery.

By bluff and threats, she is taking a leaf out of Hitler's book, realizing the western power's aversion to a military showdown which might lead to another war. And if she cannot (*Please turn to page 547*)

What's Ahead For This Market?

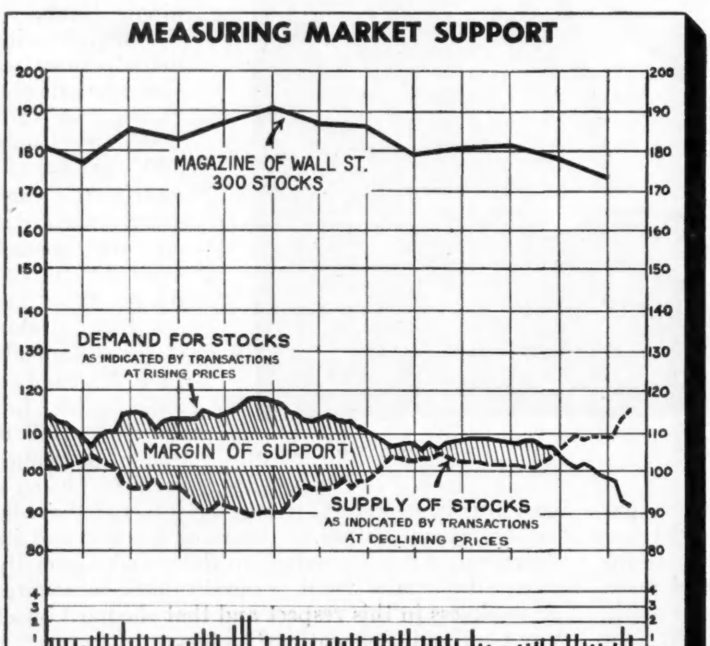
The recent poor technical evidence warrants short-term caution. However, the basic economic-financial factors look bullish for the foreseeable future. While the possibility of more reaction must be allowed for, we see no reason for more than an interruption in a continuing bull market. Hence, there is no change in our selectively constructive long-pull view.

By A. T. MILLER

In some respects the stock market's recent action has been encouraging; in others it has been poor. On balance, it has been more poor than good up to this writing—enough so, from a technical point of view, to shift the burden of proof to the bull side for the present. Hence, this is a good time to take a searching look at the pros and cons, without wishful thinking.

It is encouraging that the one-day break of 5.32 points in the Dow-Jones industrial average early last week (July 23) did not induce cumulative pressure, especially since it definitely broke the May-June double-bottom which many people had been watching as a support level of intermediate-trend significance. On the contrary, it seemed to dry up offerings; and the lower prices attracted enough demand to permit a rally, which has been maintained up to our going-to-press time. However, the recovery is small, and on low volume. It would have to develop considerably in scope and time to provide adequate evidence that the corrective phase begun in late May was finished in July.

Because stocks are so largely owned outright in this market, sharp spills can not bring in forced liquidation; and—at least to date—they apparently do not cause much fear-selling. Breaks more or less comparable to that of Tuesday, July 23, occurred also on June 20 and on February 19, but proved to be climaxes rather than the beginnings of worse to come. The limited evidence provided by the past few sessions suggests that another selling climax may now have been seen, but the word "may" must be emphasized.

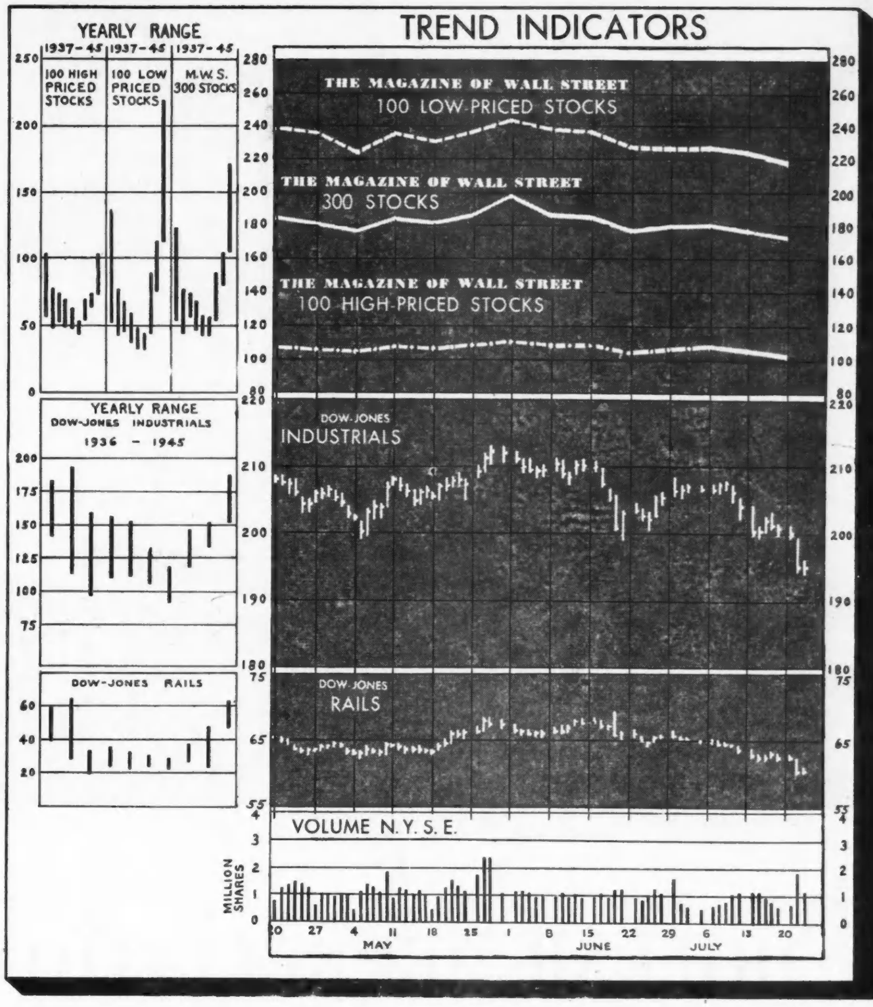


Some Less Favorable Considerations

Taking a broader perspective, the market's over-all performance for 1946 to date is not impressive. At best, the going on the up side has been laborious. In the rise from the intermediate-reaction low of last February, demand at no time attained the vigor which characterized the preceding great phase of postwar advance, and offerings were more freely made. As a result the late spring high in our composite weekly index was less than 3% over the previous bull-market high, made early in the year. Measured on the same basis, progress by the Dow-Jones averages was also limited. Hence, the February and May highs, for practical purposes, could be considered as a double-top.

Indifferent action in the first half-year was easily rationalized. We were plagued by strikes. Production and earnings in the durable goods industries were bad, for obvious and temporary reasons. Then the future of OPA became a prime uncertainty. However, it is not so easy to rationalize the July action. Last week's decline came after the terms of the OPA extension were known, and when there was virtually no doubt that President Truman would sign the bill, as he did. It contained no adverse surprises. If not as favorable to business as some would have liked, it was at any rate

more favorable than investors had had any basis for hoping only a few months ago. There are no major strikes in sight. Production, aggregate earnings and dividends are rising strongly. Finally, weakness developed at a time when seasonal market tendencies have been predominantly bullish for many years back. Considered in relation to the environment cited, the decline raises some questions, although, for the list at a whole, it has not to date exceeded trading-range scope.



Changes Within The Market

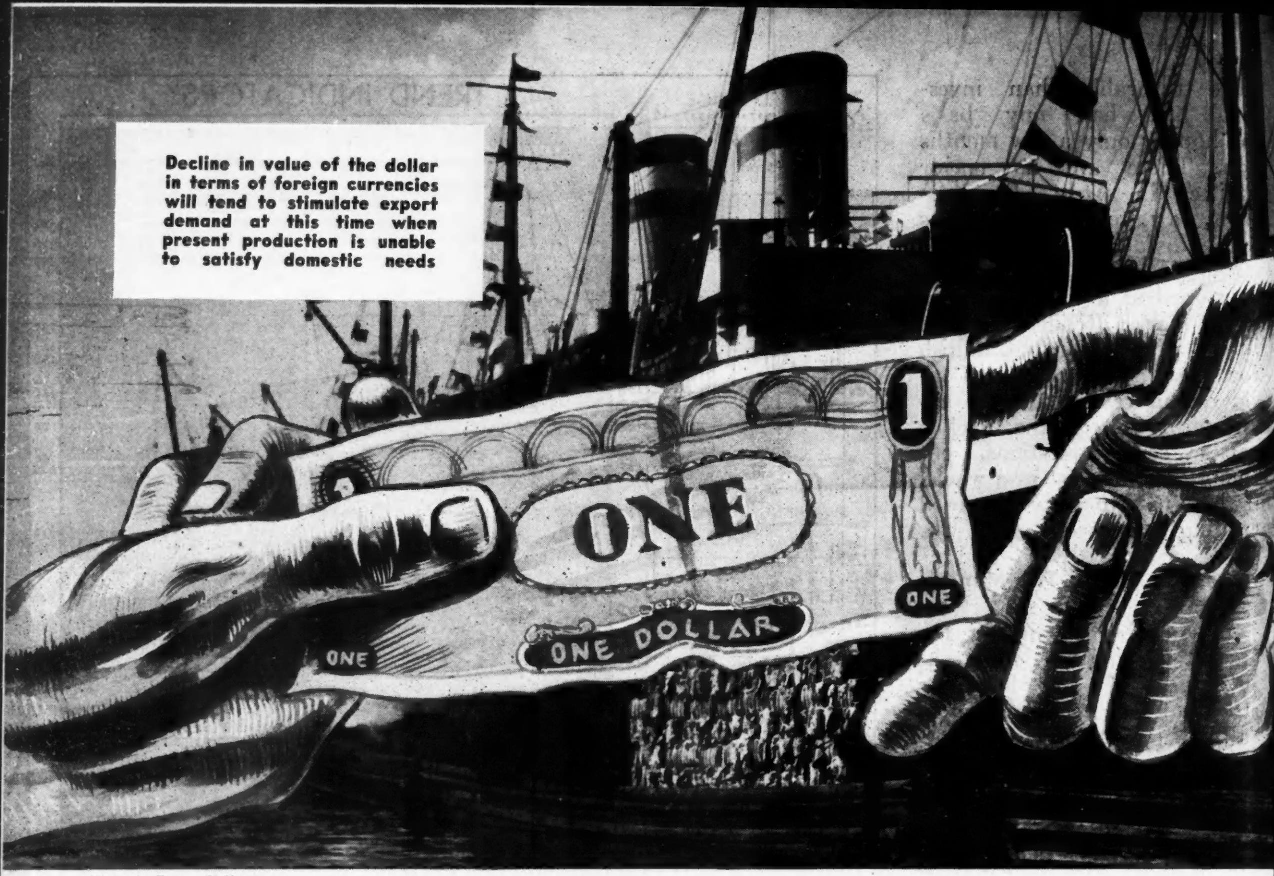
Having lagged during the market's spring rise, our weekly index of 100 low-price stocks at last week's close had fallen below its previous intermediate-reaction low (made March 2). We find it hard to believe that is of major-trend significance, but clearly it is not a good omen. There is reason to believe that withdrawals of foreign money, influenced by exchange considerations and speculation on possible additional currency adjustments, have something to do with it, but this must be far from the whole story.

The demand-supply lines charted on the opposite page crossed a fortnight ago, anticipating the further weakness which since developed. The current reading is not bullish, although—taking other, and chiefly non-technical, considerations into account — we question whether aggressive general selling can be justified at the present level. For the information of our readers, it should be said that this indicator, in its nature, is bound to give an adverse reading early in any bear market, but that a crossing of the demand line by the supply line does not necessarily indicate a bear market. It indicates, in short, a probable decline of more than minor importance, which might rank as a bear market but which in the great majority of past instances turned out to be stiff reactions. Taken by itself, it is a tool more suitable to those of trading temperament, since it requires prompt reversals of position at times. For general investment purposes we consider it a kind of "check," or mental balance wheel, not to be banked on blindly to the exclusion of fundamental financial-economic factors.

Over a fourth of our weekly stock-group indexes have made new lows for the year. They include such important groups as automobiles, auto accessories, rails and rail equipment; along with such others as aircraft, air lines, coal mining, communications, furniture, gold mining, radio and sugar. The groups which have shown best resistance to downward tendencies to date are, in order, oil stocks, baking, food brands, paper, liquor, steels, chemicals and tobaccos.

The Bullish Fundamentals

The outlook for business and profits remains excellent, so far ahead as we can now see. There are huge demands, on the servicing of which little more than a small start has been made. The alternative to a roaring bull market is not necessarily a bear market. In some respects the 1946 market reminds us of 1926. That was a bullish economic year, with much more to come. Yet the industrial average zig-zagged in about a 26-point trading range and ended the year approximately where it had started it. It was a technical and psychological readjustment, which built a base for much greater subsequent advance. Some pertinent details of the analogy may be worth exploring here in our next issue. Meanwhile, there is no change in our selectively constructive long-term view — Monday, July 29.



Decline in value of the dollar in terms of foreign currencies will tend to stimulate export demand at this time when present production is unable to satisfy domestic needs

Photo by Ewing Galloway

IS DOLLAR DEPRECIATION In The Offing?

By W. C. HANSON

THE VALUE OF THE DOLLAR is a subject of universal interest, for it is the yardstick we use to measure prices, wages, profits and all business transactions. Any change in its intrinsic value, therefore, affects us all in a very direct and tangible way, and particularly is this true of investors and business men.

The American Dollar in the World Market

The American dollar, like any other currency, has two measurements of value, its "internal" or purchasing power value, within this country, and its "external" value, or what it can command in terms of other currencies in the international exchange market. A great deal of attention has been attracted of late by foreign exchange developments affecting the position of the dollar in the world currency market. Canada recently ended a ten per cent discount on its currency by an upward revaluation of its dollar in terms of U. S. funds, with Sweden following suit, marking its krona up from 24 to 28 cents. Similar action may be forthcoming from Great Britain, Czechoslovakia, Switzerland and possibly others.

The question naturally arises as to what all this implies for our economic position both at home and abroad. More, specifically, how does it affect business conditions and the interests of American investors? Before even attempting to analyze the problem, it must be emphasized that it is a very complex one, with many facets, some of which are contradictory, so that a flat and categorical answer could be dangerous and misleading. The best one can do is to indicate certain broad probabilities as a guide for future policy. But at the same time, there are nevertheless certain fundamental facts and basic principles by which the situation can be evaluated within safe limits.

Sober Appraisal Needed

First of all, it is well to dismiss some of the more sensational notions which have been played up in certain sections of the press with regard to a "flight from the dollar" and prospects of a "currency war." What is happening—and may continue to happen for some months yet—is a logical enough occurrence when the facts are duly considered. Actually, it

may be said that the dollar is seeking its new level in the international capital market, as are other leading currencies. The world has passed through a period of unprecedented economic stress, in which many changes were introduced. It is only to be expected that the currency market will eventually adjust itself to such changes. Moreover, the war and immediate postwar period were a time of rigid controls, and as these controls are gradually relaxed, the pent-up forces, long held in leash, will express themselves.

While the recent upward movement of foreign currencies involved some selling of dollar exchange abroad, it nowhere resembled a real "flight" in the customary sense of the word. Much the same may be said with respect to talk of a currency war. While *potentially* such a situation could materialize, there are sound reasons working against anything of a sensational nature. In a genuine "currency war" nations would ordinarily prefer to *devalue* their currencies moderately in terms of other monies so as to stimulate their export trade. In the current situation, the other nations have *increased* the values of their units in terms of the dollar, quite the reverse of a classic currency battle. By placing too high a valuation on its currency in the exchange market, a nation risks impairing its export position, a fact which we may well expect foreign control authorities to keep in mind. Their main objective just now is to protect themselves against the effects of inflation in this country so as to buy as much as they can of this nation's goods which are so sorely needed abroad.

In a free international exchange market, a nation's currency eventually seeks its own parity with other monetary units. This parity is determined by certain economic factors, such as the internal business structure of the nation in question, and its international balance of payments. When a country's internal economy is completely shattered, as Hungary's is at present, its currency soon loses its intrinsic value, first at home and then abroad, finally declining to complete worthlessness. Another factor affecting a currency's position in the exchange mart is the particular nation's trade position. When a country has a prolonged surplus of exports over imports, its currency tends eventually to rise, because of foreign demand to pay for exports. Theoretically, it ultimately rises to a point where the nation's export advantage is diminished, or lost entirely. Conversely, a nation with a continuing "unfavorable" balance of payments, where imports exceed exports for a long period of time, would eventually face a declining rate of exchange, which would thus, in turn, work to stimulate exports. Given a free market, these forces tend to work out in the long run.

With a continuing strong export surplus and its economy intact, the American dollar is still *intrinsically* the strongest currency in the world today. However, the chief reason for the decline in the dollar with relation to other monies is that it is seeking its new exchange level in the light of internal developments in this country. At the base of the whole situation is the fact that the internal value of the dollar has been depreciating for several years, and that the rate of the decline has been especially swift in recent months, concomitant with the rise in prices. As the chart on page 498 indicates, the dollar is now worth only about 75 cents, compared with its pre-war value, as measured by its purchasing power of cost-of-living items.

Sixty-five Cent Dollar Likely

A drop of 25 per cent is a sizeable depreciation for any currency. To illustrate, if you had $1,000 in your bank account in 1939, you have subsequently lost about $250 in buying power through the inflation in prices. And you may yet lose more. It is in recognition of this deterioration in the dollar's domestic value that the foreign exchange market is reappraising the dollar's external position. How much further the dollar might yet recede in the world market is not yet clear, and it is doubtful if any one could accurately predict the exact outcome. However, it is very unlikely that the decline will anywhere approximate the 25 per cent drop in the dollar's internal value, unless inflation in this country were to reach disastrous limits, which is improbable. But it is likely that with a further increase in our domestic price level, another 5 or 10 cents may be erased from the dollar's internal buying power. Thus, a 70 cent or even 65 cent dollar, as measured in buying ability, is a probability before our inflation reaches its climax, a prospect which exchange control authorities abroad will take into account in their calculations.

Bretton Woods Monetary Agreement

But in evaluating the future status of the dollar, in terms of foreign exchange, a factor must be considered which has not existed heretofore, namely the Bretton Woods monetary agreement. Elaborate machinery for restoring harmony and stability in world commerce and the foreign exchange markets

Depreciation of the dollar in terms of foreign currencies will enable poorer countries to purchase more supplies in this country

was set up at the conference two years by representatives of the United Nations. To achieve these ends, the agreement is implemented by an International Monetary Fund and an International Bank for Reconstruction and Development. When these institutions become operative—which may not be till later this year, or possibly in 1947—the member nations will officially register with the Fund their respective foreign exchange par values. The Fund will then set a margin above and below par, within which the respective currencies will be permitted to fluctuate. If later changes in a nation's par value are found necessary, they may be made upon application to the control authorities.

What is particularly noteworthy is that gold will once again come into its own as a monetary base. But while the Fund proposes to re-establish international currencies on a gold basis, it will aim to "eliminate or moderate the disturbing rigidities which characterized the gold standard. One important difference between the gold standard and the one visualized under the International Monetary Fund is that such adjustments as might have to be made in exchange rates are intended to be orderly, systematic, non-cooperative and taken in the light of full information and consultation with an impartial body," according to the plan as outlined.

So, taking all these proposals into consideration, we have the potentials for a well-ordered international exchange system and a new order in world commerce when the machinery set up by the Bretton Woods conference begins to function. Just when it will begin to function is not yet clear, but informed financial authorities believe its operation would be greatly hastened if drastic changes in currencies should occur, but they consider the latter unlikely. In other words, the Bretton Woods fiscal controls, although not yet in operation, might nevertheless act as a psychological restraint against reckless currency action by other nations.

But when the International Fund does become operative, the chief question then will be the precise relation of the dollar and the pound sterling, as some quarters feel that the British may insist upon special privileges, and broader limits than others possess in adjusting their currency to meet short-term as well as long-term trade trends. It is felt—though not officially expressed—by some observers that Britain would then be in a position to play off her position against the dollar in the world market. However, this is a long range problem rather than an immediate one, and is something which the International Fund authorities will eventually decide.

For the interim period, pending installment of the Fund and its controls, it would appear that some further downward adjustment may be made in the dollar's value in the exchange market, but that such a decline would be within a ten per cent range, unless the unlikely happens and a really severe inflation breaks out here and drives the dollar's internal buying value below 65 cents.

Assuming that dollar exchange depreciation follows this pattern, what are its likely effects on our national economy? The primary effects, of course, will be upon our import-export status in world markets. As a declining exchange stimulates exports for awhile, we may anticipate increased foreign demand for American products, especially for manufactured items. Ironically, though, this added stimulus comes at a time when no further inducement is needed, for export demand is at an all-time high and promises to continue strong for at least another year or two. The specific industries which will face increased export demand include the automotive, farm equipment, electric product, machinery, chemical, metal fabricating, household appliance and rail equipment trades, as well as those supplying relief items, such as prepared foods, pharmaceuticals, textiles, etc.

But by the same token, it means that many of our imported products may cost us more. This would tend to affect our purchases of such important items as coffee, cocoa, sugar, hides, pulp and paper, wool, rubber, tin, quinine and copper—to cite but a few.

Any continuing decline in the dollar's exchange value may also have repercussions in our security markets. Securities payable in American dollars would tend to follow the trend of the dollar in the world market, and in view of the recent and anticipated depreciation of (*Please turn to page* 547)

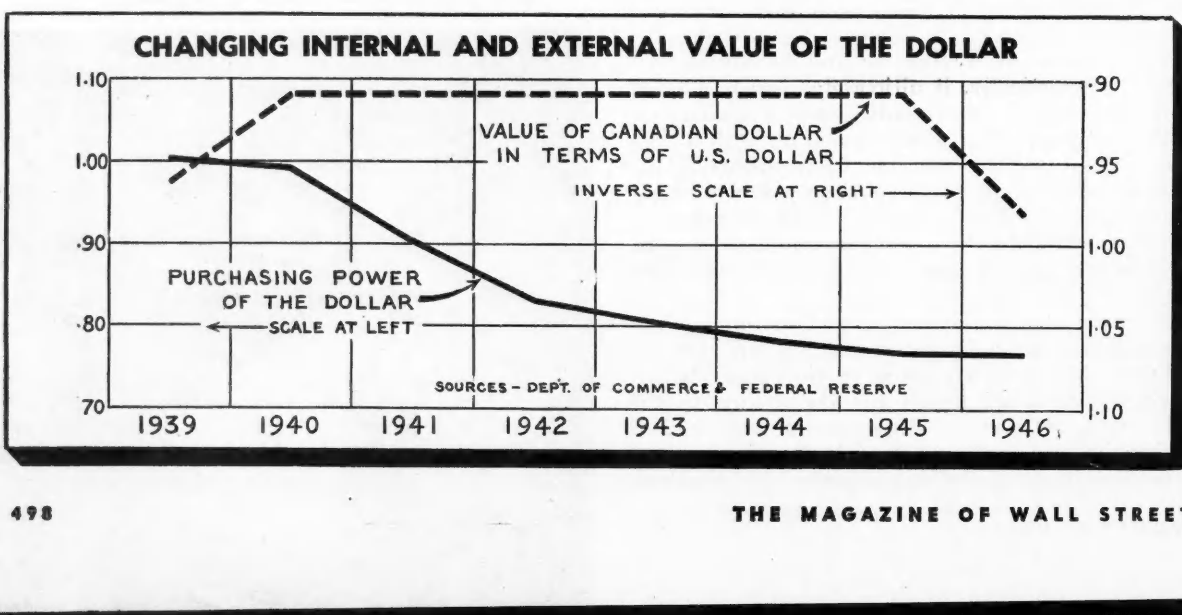


Photo by Ewing Galloway

LABOR STRATEGY

From Now On

By P. T. SHELDRICK

THE OUTBREAK OF a new wave of labor troubles following the lapse of OPA price controls on July 1 ended abruptly the period of comparative peace on the labor front that had been hoped for when the maritime strike, last of the major labor disputes, had been settled in June. Rising prices, due to shortages in many food items and to elimination of the government subsidies formerly paid to producers, were accompanied by violent protests on the part of the labor unions, which demanded reinstatement of price controls, nation-wide "buyers' strikes", and a new round of wage increases.

These developments have created an ominous and discouraging outlook, indicating that the nation may again be forced to go through the uncertainties and troubles which threatened its very existence during the past year and which people thought had been "settled" by granting, in most cases, practically all of the union demands in the respective industries involved. There need no longer be any "confusion" in the minds of the public as to the present objectives of labor, since the unions are now caught in the inflationary spiral which they themselves, with the aid of President Truman and the Administration, set into motion less than a year ago.

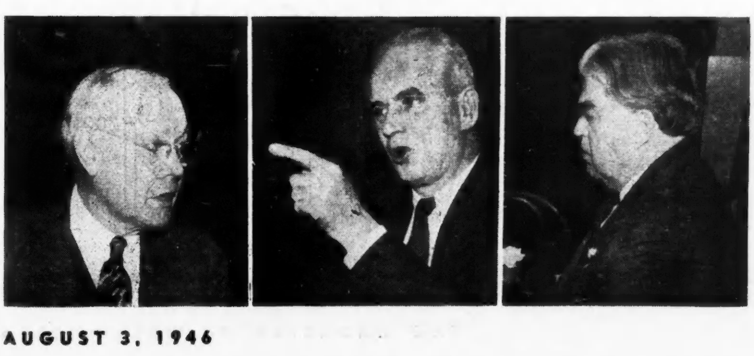
What to Expect on the Labor Front

Their No. 1 aim, therefore, must be to defend, if possible, the gains in the forms of higher wage rates which they obtained at the expense of other unions, salaried workers having fixed incomes, farmers, and unorganized groups. This might mean, on the one hand, another series of wage increases for those unions able to obtain them by actual or threatened strikes. In some cases, the increases may not all be in the form of higher basic hourly rates but in other provisions such as overtime rates, vacation pay, sick leave, welfare funds, or the like, but the effect is much the same.

On the other hand, the defense of past wage increases, which the automobile unions complained had "evaporated" in rising prices, might be made by efforts to hold the general price level down by refraining from further wage demands and concentrating on an increase in productivity per man-hour and in output of goods. While the latter alternative has been given less attention than the former—possibly because it is so simple, being one of the most elementary principles in any textbook on economics—it nevertheless has already been recommended by certain of the more conservative unions and may prove the cause of still wider cleavage between the powerful labor groups. The labor leaders have gotten themselves in a truly critical position, where they are faced with the Hamlet question of, "To strike, or not to strike?"

Photo by INP

GREEN ★ MURRAY ★ LEWIS



Management Controls Sought

Although the issue of wages vs. cost of living seems at the moment paramount, and will be referred to further in this brief review, a labor objective No. 2 is obtaining a greater share in management. Demands

along this line have been pushed strongly during the past year, but have in fact been growing ever since the early 1930s, when the dwindling labor movement was given renewed lift by the NRA and the National Labor Relations (Wagner) Act.

Every year since that time the typical contracts made with large unions have contained more provisions transferring to the unions various powers heretofore reserved to management. A further bitterly-fought step was the unionization of foremen and supervisors, and union labor has just hailed as a great victory the contract—first of its kind—signed on behalf of the Government with the United Mine Workers covering such employes at four mines of the Jones & Laughlin Steel Corporation.

Annual Wage Demand

It may well be that in this effort the unions are angling for a bigger stake than in another well-known objective, No. 3, the guaranteed annual wage. Over a period going back many years, an increasingly number of progressive companies, without labor disputes or even demands, have introduced some form of guaranteed annual wage, if the nature of their production and sales permitted, simply as "good business" in improving the morale and efficiency of their employes and in reducing the rate of labor turnover. In the future, there is no reason to doubt that many more companies will be able to do the same thing as experience demonstrates its practicality and its safe limitations.

Such a guarantee, however, if given by an organization voluntarily and adapted to its particular conditions, stands a much better chance of succeeding than if it is forcefully imposed without regard to such considerations. In the latter case, the results might be directly the opposite to those intended, by curtailing total employment and accentuating periods of depression.

The widespread political action program of organized labor also might be termed one of its major objectives. This program, however, is not so much an end in itself as a means to an end, and the powerful influence which the A. F. of L., the C. I. O., United Mine Workers, Railroad Brotherhoods, and other unions possess are being wielded toward furthering the three direct objectives discussed above. This labor power, which now has probably reached and perhaps passed its peak, is so well known by current events that no further comment need be made here. Obviously the unions will make every effort to maintain a pro-labor Administration as long as possible.

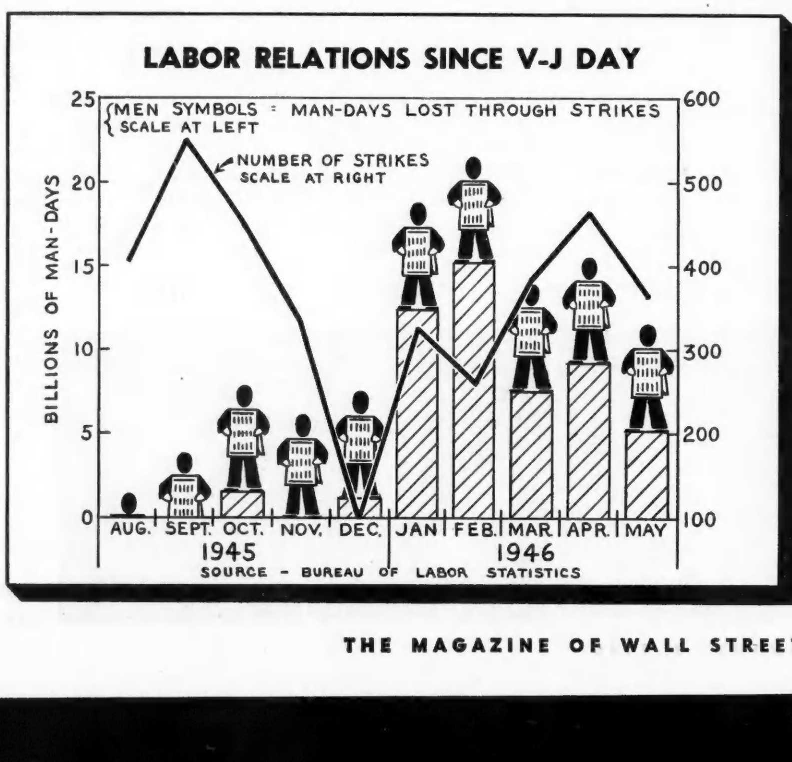
Wages and the Price Spiral

The recent pattern of the labor movement repeats in many ways that of 1919-1920, when there were also widespread increases in wages and everyone complained about the high cost of living (abbreviated as H. C. L.) until the original "buyers' strikes" in the summer of 1920 burst the inflationary bubble and brought a severe, though short-lived depression. Even during the course of World War II many business executives correctly anticipated that there would be similar labor troubles soon after the war ended,—though the troubles actually have been more serious than they expected.

This was due to the relatively greater strength which the unions had built up during the twelve years of the Roosevelt Administration. Despite criticism repeated widely and almost "ad nauseum" of the Wagner Act as to its one-sided character and the unfairness in its administration, Congress has until this year taken the view that all laws affecting labor are "sacred" and cannot be touched.

There were the supposedly "official estimates" by the Department of Commerce as to how wages in the automobile industry could be raised by 50% without raising prices, repudiated by Secretary Wallace the day after the strikers won their demands. One after another of the government "fact-finding boards" for different industries all came up, strangely enough, with the same recommendation—an increase of 18½¢ per hour. Companies were forced by government seizure of their plants to insert in new contracts a "maintenance of union membership" clause, and the unbridled union power was carried to excess in mass picketing, in racketeering, and in strikes of essential industries that virtually tied up the economic life of the nation.

Many of the paralyzing strikes were not even due to differences between a company and its own employes, but were "sympathetic strikes" or jurisdictional disputes between rival unions. Labor leaders, although knowing perfectly well that some of their demands were far (*Please turn to page* 545)



Evolution

OF THE

AMERICAN FARMER

By F. R. WALTERS

Farm buying power has been considerably enhanced by bumper crops and high prices.

THE SWIFTLY-MOVING developments in business and in commodity prices have continued to hold public attention to the economic condition of the nation's farmers, who make up 19 per cent of our total population and who during the war years experienced a tremendous increase in income as a result of the unprecedented demand for American food products. Total cash income last year from farm marketings, exclusive of government payments, was approximately $20.8 billion, and for 1946 may be estimated at only slightly lower around $20.3 billion. Agricultural income, derived from income payments, last year was $16.7 billion, out of total national income payments of $160.7 billion, or about one-tenth. This year agricultural income may be estimated at $16.5 billion, out of a possible total of $160 billion of national income.

Farmers' Share In Prosperity

The expansion during the war may be seen by comparison of current with 1939 figures. Total national income in 1939 was $70.8 billion, from which the increase is about 125%, whereas agricultural income in 1939 was $6 billion, from which the increase is 175%. The relative trends by years are shown in the accompanying chart.

While aggregate figures on farm income show the overall picture, they do not reveal the uneven and divergent trends among the many major farm products, nor among different geographical localities, just as in the case of the stock market, where one buys not the "averages" but specific securities. At the end of 1945 there were 6,011,000 farms in the United States, according to preliminary data released on the farm census, which indicated a slight decrease from 1940, when there were 6,097,000 farms. Total farm acreage increased, however, and the area of the average American farm increased from 174 to 190 acres. Yet only one-half of the total number of farms account for over 90% of the total production and cash income; the remaining one-half, with less than 10% of the total production and income, are the chief cause of the "farm problem" that doubtless will be with us always.

Although farming is a relatively important part of the economic life in every one of our 48 states,—which may produce grains, fruit, vegetables, livestock, dairy products, cotton, tobacco, or other products—the four states of Iowa, California, Texas and Illinois account for more than one-fourth

of the total cash receipts from marketings. Another quarter is produced in the eight states of Minnesota, Kansas, Wisconsin, Ohio, Missouri, Nebraska, Indiana and New York.

The Farmer and "Parity"

The increase in farm prosperity during World War II was considerably greater than that in World War I, although the general pattern was similar to the increase that has occurred during every major war in American history. This was not due to a greater increase in prices received by farmers for the sale of farm products, since the indexes computed by the Department of Agriculture rose by just the same amount—113%—in both the period from 1914 to 1919 and that from 1939 to 1945. It was due to the fact that the prices paid by farmers for the commodities used for family living—food, clothing, building materials, furniture, and other operating expenses—rose from 1914 by 98% to a peak in 1920, but rose from 1939 to 1945 by only 40%.

As a result, the government's widely-used "parity ratio", of farm prices received to prices paid for commodities, interest, and taxes, had a greater rise during World War II. While the year 1945 was not the postwar peak for prices paid, neither was it the peak for prices received, and so long as the two sets of prices advance at the same rate the ratio remains unchanged. Despite the increase in industrial wages that has taken place since the beginning of this year, and that has been reflected in part in higher prices for finished goods, the "parity ratio" in June 1946 stood at 117 (1910-14=100) compared with the 1945 average of 116.

After July 1st of this year, the erratic course of prices carried prime cattle in Chicago to a record high of $26.25 per hundred pounds, against the former OPA ceiling of $17.00, while hogs soared from $14.85 to $22.00. For food products generally, the wholesale price increase since July 1st has been around 25%.

Farm Versus City Economics

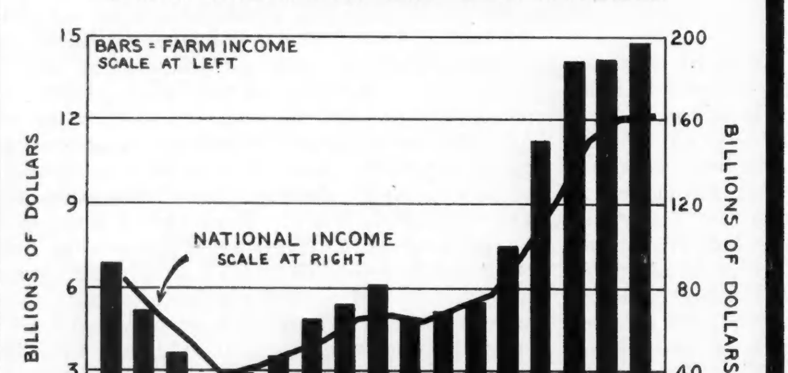
There has been endless, and perhaps futile, debate, not only during the recent war years but going back to World War I, on the relative increases that have taken place in farm prices and in the incomes of industrial workers. The unions representing strongly organized factory workers have continually complained against the rise in food costs, while the spokesmen for the powerful cooperatives and other farm organizations have protested against the rise in industrial wages. There has been a battle of statistics and charts in countless variety. Since both agriculture and industry are composed of such a vast number of individual units, diversified among many different branches, the wealth of statistics now available may be used to establish supposed proof for almost any conclusion.

Farm statistics are being turned out at a bewildering rate in the palatial Department of Agriculture's main office building in Washington, which is one city block wide by two blocks long and houses some 5,000 employes, not counting its Administration Building across the street. Industrial statistics, too, are difficult for making fair comparisons, due to the widely differing results that come from using straight-time hourly wages, total weekly earnings including overtime, or total annual compensation, and to the distorting effects of strikes, changes in job classifications, variations between different industries, and changes in "real income" as computed by deflating money wages by indexes to correct for changes in purchasing power.

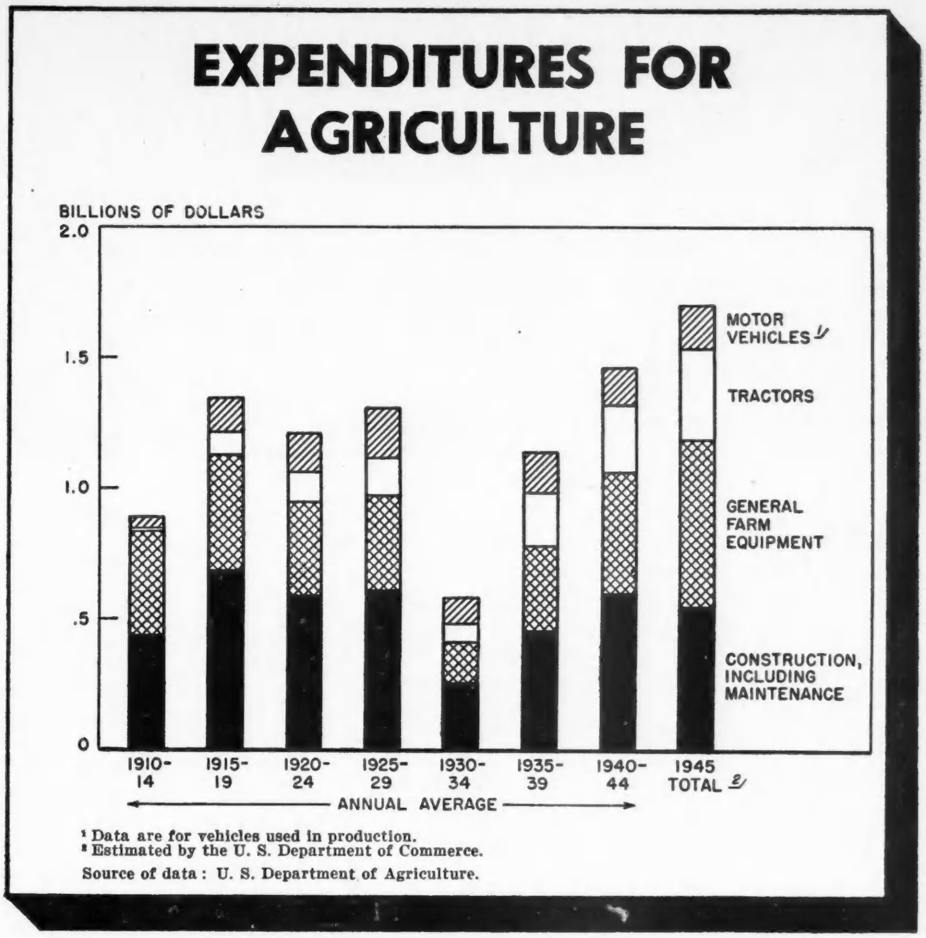
Every day the nation is treated to classic examples of how the natural inter-dependence of all elements in our economic society is ignored, and how group interests are placed above cooperation in the national interest. Witness the unions of oil company employes, who went on strike and received wage increases last year, and of the steel company employes, who did the same this spring, now both protesting violently against a recent increase in the price of milk! Or the union of automobile workers, who struck and received wage increases this spring, threatening a "buyers' strike" against a rise in the price of meat!

Anyone wishing to pursue a detailed study of the relative rises that have occurred in the income of farmers and industrial workers will find a comprehensive survey, using the numerous different accepted measures, entitled "The War and American Agriculture," by John D. Black of Harvard University and Charles A. Gib-

FARM INCOME SETTING NEW RECORDS



bons of the Department of Agriculture, in the February 1944 Review of Economic Statistics. Most people, however, will probably be satisfied to note the substantial, and not dissimilar, rise that has taken place in both prices and wages, and to rest upon the assumption that farm prosperity and industrial prosperity will continue, as in the past, to be closely dependent upon one another. They know that an important share of the consumer's dollar goes to the farmer, and that an important share of the country's manufactured products is purchased by the farmer, and they are willing to trust to the law of supply and demand to maintain a reasonable balance.



[1] Data are for vehicles used in production.
[2] Estimated by the U. S. Department of Commerce.
Source of data: U. S. Department of Agriculture.

As the president of Armour & Company, Mr. George Eastwood, recently stated at a meeting of the company's shareholders: "There is no possible way that meat packers or retail meat dealers could remain in business if they raised meat prices above the level that consumers are willing to pay for the available supplies."

Industries Affected by Rising Farm Income

In seeking out the industries and the companies that are likely to benefit from the continuing high level of farm income, one finds it hard to single out any particular segments, for the reason that practically all are patronized by the prosperous farmers. Implement manufacturers, obviously, are almost wholly dependent upon sales to farmers, and in this industry the accumulated demand is probably still as heavy as when the war ended last August, due to the curtailment of production resulting from reconversion delays, and to strikes in the implement, steel, coal, and other basic industries. There appears little likelihood that farmers this year will be able to obtain anywhere near the amount of machinery they wish to buy. The situation is critical even as to repair parts. Production of only the urgently needed new machinery might easily carry through both 1946 and 1947. After that, the confidently planned long-term program for replacement and modernization of farm equipment might keep the industry busy for several years to come.

In appraising investment prospects of the implement companies, the factor of increasingly keen competition—after the most pressing demands have been satisfied—may be taken for granted. Numerous manufacturing companies in other lines that during the war greatly expanded their plants, equipment, and working capital have already announced their entrance into the field of tractors, farm implements, and tools. Some of these may, in the course of time, be successful in establishing a permanent place for themselves in this old and highly-competitive field.

Any shareholder in the newer companies, however, should understand clearly the relatively narrow profits margins realized in peacetime years by even the largest and oldest-established organizations in the field. This is illustrated by the accompanying figures of 12 leading manufacturers in 1939, whose sales in that year aggregated $542 million and whose average net profit (after taxes) was but 6 cents per dollar of sales. International Harvester Company accounts for practically one-half of the total for the group, and the list includes several companies which are producers also of important products other (*Please turn to page 547*)

Happening in Washington

Photo by Cushing

By E. K. T.

CONFUSION over the benefit or harm of price control by the government wasn't confined to the man in the street. United States Senators shared it. At least 45 senators reversed themselves on one or more points during the OPA legislative wrangle. Several propositions were offered in identical form when the bill later vetoed by the President was up, and when the second try was made for an extension measure. For example, the Wherry amendment carried by almost two-to-one in June, was rejected by almost as large a margin one month later. The controversial Taft Amendment carried handily in June, was voted out in July. There were a dozen other instances.

WASHINGTON SEES:

The "period of suspension" through which price ceilings have passed has given public officials here and employers everywhere an object lesson by which they are able to forecast what will happen when OPA becomes a thing of the past.

Organized labor already is talking across-the-board wage increases. Contracts expiring in 1947 were conditioned upon a governmental guarantee that the price line would be held through the period of the agreements. That, of course, has not happened; to the extent that there are further decontrols in coming months, fulfillment will be farther away from the promise.

Employees have suffered great economic losses from strikes. They are more willing today to resort to negotiation and they believe, perhaps correctly, producers no longer held to ceiling prices and able to pass along new costs to consumers will be more willing to meet their demands. Production bringing with it competition is the only protection for consumers, but in many lines production still lags and the rule of pricing is what the traffic will bear.

Washington sees: a tight labor market, becoming worse; a continuing seller's market in consumer goods which calls for a new wage boom; a spiralling of prices which, at most, can only be delayed, not prevented, by price ceilings—another ride on the merry-go-round.

POLITICAL ACTION Committee emphasizes it is not taking part in local political campaigns this year, isn't placing congress members on favored or purge lists. But CIO, parent organization of the PAC and source of its funds, has issued a statement in the Capital which serves notice on all affiliates that regardless of past performance those congressmen "responsible for the drive to wreck price control . . . must be made to answer to the people." And CIO is pushing for a labor-industry-management conference to provide a backdrop for the drive. The last parley of that nature accomplished exactly nothing, unless a forum for labor leaders can be regarded an accomplishment. There's no prospect another meeting would bring about greater results.

OLD ADAGE that the hand that rocks the cradle rules the world has modern application in a review of collective bargaining over the past year. The equal rights amendment has been sidetracked but the possibility it might be a misnomer is suggested by the fact that the powerful International Ladies Garment Workers Union is composed 80 per cent of women; the confectioners' union, 46 per cent; and the textile union, 50 per cent. And in the first 10 years of the Wagner Act 6 million women voted in collective bargaining elections.

FAILURE of President Truman's first installment of the departmental reorganization plan to win congressional indorsement cannot logically be taken to mean that Capitol Hill intends to place road blocks in the way of agency reshuffle. The first amalgamation tried by the President proposed to place a number of housing agencies under one head—the National Housing Administration. It touched a subject of raging controversy. NHA, it was feared and not without sound reasons, would advance the cause of public housing at the expense of private construction. The powerful real estate lobby moved in, ran a close race in the house, effected a senate veto.

AS WE GO TO PRESS

British loan which, incidentally, passed the house by a majority of votes 50 per cent above the Embassy's private forecast, already is giving rise to speculation. Main purpose was to rehabilitate an ally. Diplomatic considerations were not far behind. World trade was an ingredient of each.

Thought already is turning to Britain's export, especially to the United States. Some recent developments point this up as a major interest to the automobile industry and industries which serve the auto makers, depend in whole or in part upon them for existence.

In that connection it's interesting to note that Great Britain observes the 50th anniversary of its automobile industry this year, plans to make it a golden jubilee with accent on export. Acceptance of the motor vehicle in Britain was slow at first. By 1914 there were 265,000 cars in use, in 1939 there were 2,300,000 registered. Today, after six years of war, the British are car hungry.

But the automobile industry under the domination of the Labor Government is looked upon primarily as a source for exports. There's reason for that. Car buyers are reported to be snapping up the British product right off the boat. These buyers cannot obtain American makes now — strikes and other factors are blamed. So they're paying from $1,500 to $1,800 for 4-cylinder, 30-horsepower cars, happy to get them.

British exports now are matching those of the pre-war period on a monthly basis. Besides automobiles, items high on the list are transport equipment including railway cars and trucks, electric generators, machine tools. Imports will be labor saving machinery to offset manpower shortages. That's where the loan may figure importantly.

Action of the house ways and means committee on proposals for expansion of the social security act had an interesting sidelight. The committee worked over the subject for months, did almost nothing. It was the first outright clash between unions and employers in the legislative circle since the labor-management situation boiled over. The two groups took diametrically opposed positions on social security. And management won.

The committee refused to increase payroll tax for old age assistance from 1 to 1 1/2 per cent as asked by labor, did nothing about bringing in an estimated 20 million persons who are not covered by the act now. Employer groups spearheaded the campaign against a higher tax while labor favored upping the levy.

Democrats in Washington, viewing results of the Montana senatorial primary, learning that President Truman is entering a congressional district fight in Missouri (where the party already is badly split), and advised of his intention to campaign actively in the Fall, reiterated their prayer that some way might be found to save Mr. Truman from his friends.

Making his first attempt to influence the results of a party primary in any state and motivated solely by personal friendship, the President backed the wrong entry, the count of votes showed. Senator Burton K. Wheeler had the White House indorsement, at first off-handedly, then directly.

Friendships which Mr. Truman has carried through life have brought about the "government by crony" which will be used against him if he runs in 1948. The fact of Missouri residence or background, wartime or senatorial association hasn't been found to be an absolute qualification for high federal office. It apears to have been the only one in some outstanding instances.

Party leaders were hopeful the Montana experience would convince the "Chief" his fate would be the same as his predecessor if he personalized primary fights. Instead, Mr. Truman became more determined, announced his broadened program.

Manpower shortage by the end of 1946 is predicted by the Civilian Production Administration. And, if the findings of the Bureau of Census prove trustworthy, the eastern section of the United States is likely to be hit harder than the Pacific Coast.

The war turned 27 million Americans into migrants, says the Census Bureau. Included are 12 million men who entered the armed services and an additional 15 million who put the term "in-migrant" into the American vocabulary. Millions (the exact number, of course, isn't known) have no desire to return to their origin points.

Agriculture will lose manpower heavily but mechanization of farm will cushion the blow. With better tools, fewer persons can produce more food. Chief beneficiary of the migration, says the Census Bureau, will be the West Coast, highly industrialized as a result of the war.

Carriers broke about even in recent senatorial primaries. In Minnesota, inland water carriers lost one of their strongest supporters in Congress when Senator Henrik Shipstead went down to defeat before popular Gov. Edward Thye. In Montana, the elimination of Senator Wheeler means a great loss to the rail carriers.

Wheeler by reason of his position as chairman of the senate interstate commerce committee was able to do much more in a positive way for the rails than Shipstead, as a minority member and not a chairman, could for the waterways. But the Minnesotan by remaining doggedly on the watch caused numerous bills to be amended for the protection of the water carriers.

The aggressiveness which Senator Wheeler displayed in safeguarding the railroads caused him to be charged with enmity toward railroad labor. That such an accusation could not be sustained by any form of logic counted for little. It was used against him in Montana, played a large part in bringing about his defeat.

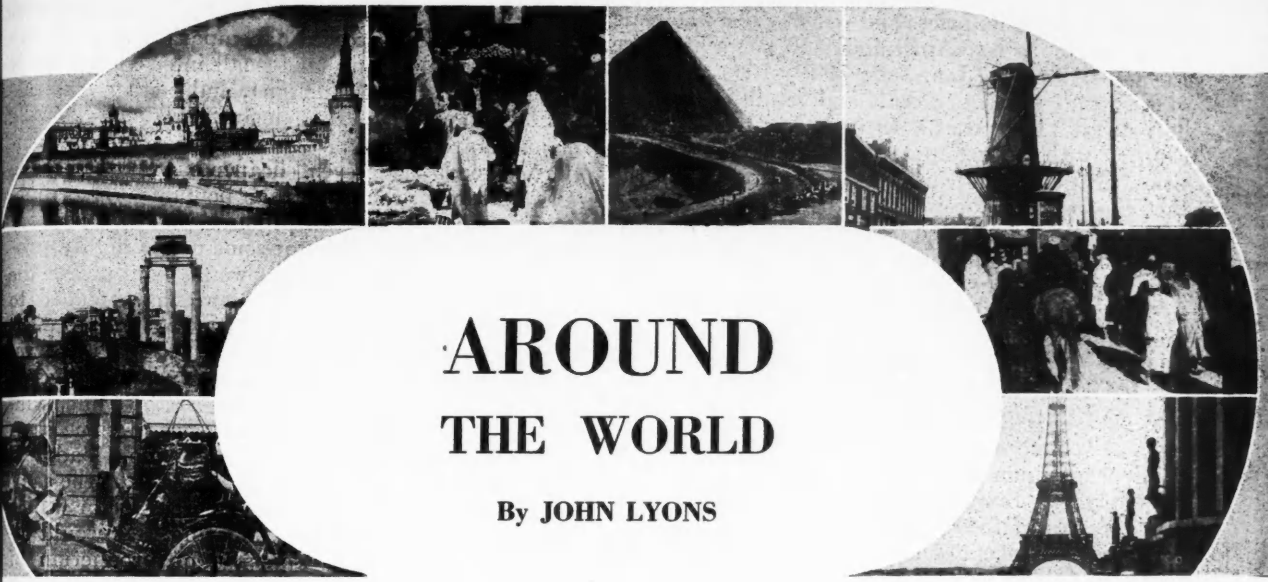
Federal income tax laws which began as revenue measures exclusively but soon were fashioned into potent weapons to punish frauds will be the principal, if not only, punitive force brought to bear in the war contracts scandals. Al Capone escaped trial and prison on the better known statutory complaints; he eluded the detectives but not the accountants. The same was true of most of the recent cases involving political leaders.

Common talk in Washington is that "some one will go to jail when this is all over." Well-known names are being mentioned. The line of prosecution laid out in the minds of Mead Committee members was tipped off when President Truman was asked to permit examination of income tax returns of individuals for the war years. No one but the Chief Executive has the authority to open the files for scrutiny. He has done so liberally in this instance.

Victories of Senator Bilbo and Rep. Rankin in Mississippi, and of Eugene Talmadge in Georgia, has put an end to any chance that might have existed for anti-poll tax legislation this year. Reluctantly, democratic leadership has agreed "white supremacy" is running high as a political issue below the Mason-Dixon Line and the Solid South might bolt if further irritated.

Republicans will make one more try to get the bill up for debate, if only to embarrass the democrats. It's a political stratagem. Democratic votes will defeat the legislation, despite pious platform declarations for its enactment. GOP sponsorship could count heavily in some populous centers of the north, if sufficiently dramatized.

With the British loan out of the way talk has centered upon the prospect of a loan to Soviet Russia but so far the talk is all negative. In addition to the troubled diplomatic situation which has brought on some very plain talking here, there's the fact that Russia, too, is in the lending business, aiding satellites.



AROUND THE WORLD

By JOHN LYONS

... New Trade Trends In Turkey

... Strong Factors In Australian Economy

... American Policy For Central Europe

... Behind the Scenes In German Industry

... Italian Republic's Economic Problems

ON JULY 20, THE TURKISH REPUBLIC held its first elections based on universal sufferage and the secret ballot. The incumbent Republican Party won, but the opposing Democratic Party rolled up a considerable vote. This opposition vote has generally been regarded as reflecting a growing public discontent with the economic situation. The people, particularly the middle class and the workers, have been badly hit by shortages of goods and high prices.

However, the deflationary trend which would have enabled the Turks to adjust their prices to the world level and permitted them to export without the aid of subsidies—which were financed by the taxpayer and the consumer—did not last very long. Political developments, the tension between Turkey and Russia, the disturbances in Iran and Kurdistan, etc., have forced the Turks to concentrate on rearming. There was no demobilization after the war, and at least 1,000,000 men are being kept under arms at a cost of about $400 million a year, or about one half the national budget.

It is unfortunate that the strain of the political situation does not permit Turkey to make the most of its war-time accumulated gold and foreign exchange resources. Under more normal circumstances, the possibilities for export to the Turkish market would have been truly great, for the country is eager to industrialize and the people have acquired new tastes. Moreover, with the collapse of Germany and Italy, which before the war supplied over 60 per cent of imports, Turkey has no one to whom to turn for capital and consumers' goods but this country and Great Britain. Before the war, our imports averaged about $20 million a year, but in 1945 we bought almost $70 million of Turkish goods. Our exports to Turkey were $16 million in 1945, twice as much as before the war. In his budget speech last Winter, the Minister of Finance declared that Turkey intended to buy from us $500 million worth of capital goods during the next four years. Last December, the Export-Import bank granted Turkey a small loan for $3 million; a credit of about $100 million is now under consideration—about one-fifth of what the Turks have asked for.

Australia's Strong Exchange Position

The remarkable similarities in the postwar situation in Canada and in Australia have already led to speculation about possible up-valuation of the Australian pound. Ever since December 31, 1931, the Australian pound has been fixed at the rate £1.25 (Australian) to £1.00 (British); it has been stable in terms of the dollar at $3.21 since September 1939.

1. Like Canada, Australia built up its gold and currency reserves during the war. Last May the central bank, the Commonwealth Bank, held over £A 200 million (about $650 million) in gold and pound sterling balances, or nearly four times as much as before the war. In addition, Australian commercial banks and private individuals are reported to have about £A 100 million in London. The overseas resources would have been higher, except that about £A 80 million has been used to pay a long-term debt to British bond-holders. As a result, the external interest bill was reduced by about £A 5 million a year.

2. Like Canada, Australia has been successful

in holding down its prices and costs. The wholesale price index was last April about 40 per cent above the pre-war level (Jan.-June 1939=100), the cost of living about 25 per cent, and retail food prices only about 11 per cent. In fact, Australia was the country with the smallest wartime increase in food prices; the situation can be explained partly by the fact that during the war the food surpluses could not very well be exported because of the lack of shipping and had to be disposed of in local markets. The wage rates have been automatically adjustable to the cost of living and have risen less than 25 per cent since 1939. Industrial raw materials have been heavily subsidized, but Australian manufacturing industries are reported to have had not much trouble with the rising costs since 1943.

3. Even more than Canada, Australia's prosperity depends upon exports and upon the prices of a relatively few raw materials and food-stuffs. The rising prices of food and raw materials will, therefore, greatly benefit Australia, and this year's exports have already shown considerable expansion. However, the most important Australian export commodity, wool, is not expected to benefit much from the price rise, chiefly because of the enormous stockpiles accumulated during the war, which it will take years to consume.

4. Like Canada, Australia will require large imports of goods to satisfy the deferred demand. Capital goods, in particular, will be wanted, since it is expected that the industrialization program will continue to be pushed with vigor. Most spectacular developments are promised in the manufacture of electrical equipment, automobiles, woolen textiles, and industrial chemicals. At present, imports are running at the rate of about £200 million a year, of which roughly one-third come from this country (the United States exports to Australia were reported to have reached $311 million in 1945 as against $61 million in 1939).

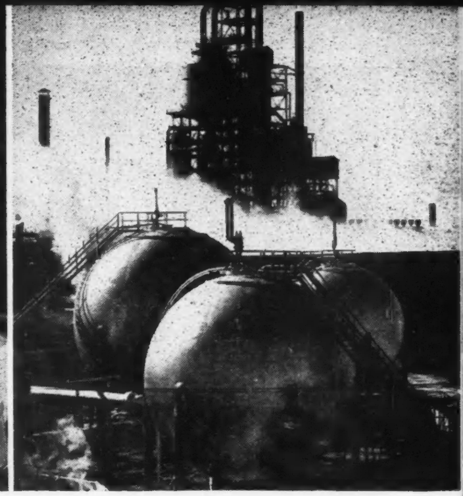
Stabilization of currencies and restoration of production facilities is a vital necessity for Italian economy.
Photo by Press Association

On the other hand, the Australian manufacturers are already highly priced in comparison with American or British goods (the small internal market is ill-suited to mass production), and neither Australian labor (politically extremely important) nor the manufacturers themselves would like to see the imported goods made even cheaper as a result of the up-valuation of the Australian pound. The competition of cheaper foreign product would unquestionably weaken the position of some of the highly protected industries, and this would not please the Australian Labor Government, which is wedded to the idea of full employment and more industrialization. Hence, instead of up-valuation of the Australian pound, we may see in Australia a deliberate step to raise prices and costs—a step which, incidentally, has been under discussion for some time. A rise in price would ease the taxation load and strengthen the Australian producer, and at the same time would permit the wage increases for which Australian labor has been clamoring. It would also make possible the expansion of production of non-ferrous metals and particularly of coal, the output of which has fallen to minimum requirements and threatens to be a bottleneck for Australian industries in the future.

American Pressure for Unity of German Zones

One of the best and most concise descriptions of the state of complete stalemate with which the Allies have been confronted in Germany was made by the Secretary of State, James F. Byrnes, in his radio report on the Big Four Foreign Ministers' meeting in Paris. "The four power control of Germany on a zonal basis is not working well" he observed. "Under the Potsdam Agreement, Germany was to be administered as an economic unit and central administrative departments were to be established for this purpose. But in fact Germany is being administered in four closed compartments, with the movement of people, trade and ideas between the zones more narrowly restricted than between most independent countries. In consequence, none of the zones is self-supporting. Our zone costs our taxpayers $200 million a year. And despite the heavy financial burden being borne by ourselves and other occupying powers, the country is threatened with inflation and economic paralysis. . . . This condition must not continue . . . As a last resort, we are prepared to administer our zone in conjunction with any one or more of the other zones, or we will place the responsibility for the violation of the Potsdam Agreement".

In keeping with Mr. Byrnes' words, General Joseph T. McNarney, American military governor in Germany, notified the other occupying powers that we were ready to discuss the removal of interzonal barriers to the movement of trade and labor. But the elaboration of the scheme will probably take considerable time. The British want to take time to think it over, and the French, who have been treating their zone in much the same way the Russians do—by taking anything they want and not worrying about the (*Please turn to page 544*)



1946 Special Re-appraisals of Values, Earnings and Dividend Forecasts

Prospects and Ratings for Food Processor, Dairy, Meat Packing, Sugar, Baking, Food Distributing, Tobacco and Oil Stocks

PART I

ENTRY OF THE ECONOMY into the second half year brings widely divergent prospects for shareholders in most concerns. Harrassed by labor troubles, shortage of parts and materials, hampered by mounting costs and price restrictions, many enterprises have experienced tough going. Conversely, numerous companies have surged ahead to spearhead the race towards the long heralded boom.

Whether near term developments likely to emerge warrant confidence or pessimism to shareholders in this or that corporation has now become a serious problem, calling for access to facts and use of soundly based judgment. Seldom as at the moment have economics, politics and social forces combined to cloud potentials for stable income or appreciation. Hence, wise investors will be alert to scrutinize their portfolios, for with intelligent appraisal certain revisions may prove constructive; study of all weighty factors may suggest profit taking, substitutions or retention. In the light of current conditions, program policies perhaps should be entirely overhauled.

In order to assist our subscribers in formulating investment decisions, the Magazine of Wall Street presents its Security appraisals and Dividend Forecasts at six months intervals, in addition to its regular coverage of important economic and industrial developments in each issue. By this method, the maximum number of industries are periodically reviewed on the basis of recent information available, along with up-to-date statistical data for ready comparisons. Supplementing this, brief comments on the status of each individual company listed on the table are presented.

The key to our ratings of investment quality and current earnings trend of the individual stocks—the last column in the tables, preceding comment—is as follows: A+, Top Quality; A, High Grade; B, Good; C+, Fair; C, Marginal. The accompanying numerals indicate current earnings trends thus: 1—Upward; 2—Steady; 3—Downward. For example, A1 denotes a stock of high grade investment quality with an upward current earnings trend.

Stocks marked with a W in the tabulations are recommended for income return. Issues regarded as having above average appreciation potentials are denoted by the letter X. Purchases for appreciation should of course be timed with the trend and investment advice offered in the A. T. Miller market analysis in every issue of this publication.

Photo by Press Association

Ample supplies are in prospect for food distributors, but profit margins are uncertain, due to price policies, with lower taxes offsetting many unfavorable factors, and shortages affecting others.

Outlook for FOOD PROCESSORS

By STANLEY DEVLIN

WITH RECORD FOOD PRODUCTION revealed in the Department of Agriculture's recent crop forecast, prospects for the food processing industry seem bright as regards the supply situation, with the labor and the price situations the principal uncertainties, and the available supply of tin with regards to the canning situation, notwithstanding a 10 per cent increase in allotment of the metal.

Forecast of the largest corn crop in history is made by the Department of Agriculture as of July 1, 1946, estimate of 3,341,646,000 bushels as compared with 3,018,410,000 in 1945. Wheat crop is estimated at the near record of 1,090,092,000 bushels as compared with the record crop of 1,123,143,000 bushels in 1945 and estimated crop of oats amounting to 1,471,026,000 bushels almost equalling record crop of 1,547,663,000 bushels in 1945. Rye and barley crops will be considerably below average. Live stock and poultry feed stocks will be ample in spite of the small carry-over from previous crops, thus assuring plentiful supplies of meat for 1946, providing UNRRA does not go into the market too heavily in this period.

Large crops of vegetables and fruits are anticipated with the exception of dry beans and sweet potatoes which will be below average. Production of oil seed crops such as soy beans, and flaxseed will be down sharply, with a slight decrease in peanut acreage. Pastures and ranges are providing abundant feed, despite heavy grazing. Sugar beet production is estimated at 10,916,000 tons, an increase of nearly 25 per cent over 1945 production of 8,668,000 tons and sugar cane production estimate is 6,658,000 tons, a minor decrease from the 6,767,000 tons produced in 1945.

Flour Shortage Affects Baking Profits

Profits of companies in baking, flour and cereal processing, and packaging, will be curtailed by shortages of flour and cereals due to the taking of large amounts of these products for export. Bakers have been able to get little or no flour, as well as shortening and sugar and operations in many baking plants have been suspended. General Mills, Inc., reported in June that of total production of flour, two thirds will be for export and the remaining one third for domestic use. Company's Oklahoma and Texas plants were operating fairly well, on the new wheat crop but all other plants of this company were grinding wheat for the government. General Foods Corp., processor of flour, puddings, gelatins and breakfast cereals was on the verge of closing eight plants in June, and the company anticipated closing of three cereal plants and five flour mills due to lack of supplies.

Reappraisal of Leading Food Processor Stocks

	In Millions of $			In Dollars Per Common Share									
	1945 Gross	1936-39 Avge. Gross	Working Capital	Book Value	Net Current Assets*	1936-39 Avge. Net	1945 Net	1936-39 Avge. Div.	1945 Div.	Recent Price	Price-Earnings Ratio	Investment Rating	COMMENT
American Crystal Sugar	$14.6Mr	$14.4	$12.7	$48.81	$17.40	$2.04	$1.37Mr	$1.12½	None	$27	19.7	C1	Better sugar prices, larger beet sugar crop and reduction of preferred dividend requirements should improve earnings considerably.
American Sugar Refining	174.1	104.1	43.5	161.08	None	deficit	3.17	1.31	3.00	51	16.1	B+2	Large Cuban sugar crop, better prices, and elimination of excess profits tax, should contribute to greater profits in 1946.
Armour & Co.	1213.0Oc	744.1	140.6	25.16	None	deficit	1.41Oc	None	None	17	12.1	C+2	Earnings for first six months of 1946 exceeded entire preceding fiscal year, re-entry into live stock market and approval of recapitalization plan make prospects bright for this company.
Beatrice Foods	125.1Fb	61.7	12.3	40.38	12.28	3.15	5.28Fb	1.58	2.05	66	12.5	A1	Large demand for dairy products, repeal of excess profits tax, and better prices, assure substantial profits in 1946.
Beech-Nut Packing	40.3	21.4	16.0	50.73	36.75	6.01	4.88	5.81	4.50	140	28.8	A+2	Better prices, continued large demand for products and tax relief should contribute to better earnings.
Best Foods	81.6Je	28.5	17.7	16.69	11.80	.83	1.68Je	.89	1.00	31	18.4	C+1	Improval of raw material situation should result in better earnings for the 1946-47 fiscal year.
Borden Co.	459.4	224.3	78.8	32.77	15.50	1.66	2.85	1.50	1.80	53	18.5	A2	Better price structure, lower taxes and strong demand for products insure adequate earnings.
California Packing	111.7Fb	58.5	25.2	54.83	17.90	2.00	2.69Fb	1.18	1.50	42	15.6	B2	Improved crop prospects, better price margins and lower taxes should result in improved earnings.
Central Aguirre Assoc.	9.2Jl	7.1	9.3	24.32	12.56	2.86	1.38Jl	2.13	1.50	26	18.8	B1	Improved prices and considerably larger Puerto-Rican sugar crop should increase earnings over preceding fiscal year.
Consolidated Grocers	67.1Je	N.A.	5.9	19.06	7.60	N.A.	1.05	N.A.	None	24	23.8	B2	Prospect for improved earnings bright.
Continental Baking	103.9	64.5	9.7	(b)	None	.81	.83	None	.50	20	24.1	C+1	Lower taxes and increase in bread prices should contribute to better earnings.
Corn Products Refining	106.5	57.6	46.9	30.60	8.70	3.25	2.70	3.19	2.60	65	24.0	B+2	Difficulty in obtaining corn resulted in poor showing for first half of 1946, but record corn crop prospects will improve earnings in latter part of year.
Cream of Wheat	7.5	4.1	3.0	6.48	5.07	2.07	1.73	2.06	1.60	33	19.1	C+1	First quarter earnings almost double 1945, with good prospects for balance of year.
Cudahy Packing	344.9Oc	207.1	32.6	61.19	13.15	deficit	4.12Oc	1.10	1.50	59	14.3	C+2	Lower taxes, reduction in preferred dividend charges and elimination of O.P.A. should result in improved earnings in spite of higher labor costs.
General Baking	73.3	43.8	9.5	10.30	.29	.87	.76	.84	.60	13	17.1	C+1	Lower taxes and increase in bread prices should contribute to larger earings in 1946.
General Foods	307.1	134.1	91.5	18.73	11.90	2.45	2.36	2.13	1.60	55	23.2	B+1	Reduced taxes, large demand for products, improved crop prospects and elimination or modification of O.P.A. should result in considerably increased earnings.
General Mills (a)	280.8My	140.1	47.3	22.38	7.71	1.65	2.69My	1.06	1.37½	48	17.8	A1	Wheat shortage in last few months resulted in reduced milling operations but this situation will improve in near future. Outlook better for latter part of year.
Great Western Sugar	30.5Fb	40.4	32.2	13.79	9.60	2.49	1.20Fb	2.90	1.60	30	25.0	C+2	Prospects of larger beet sugar crop, better prices and lower taxes should result in much better earnings.

* After allowing for senior securities.
(a) All figures adjusted for 3-for-1 split in August, 1945.
(b) Equity consists of intangibles.

N.A.—Not Available.
For Fiscal Year ended My—May 31, 1945; Je—June 30, 1945; Jl—July 31, 1945; Oc—October 30, 1945; Fb—February 28, 1946; Mr—March 31, 1946.

Reappraisal of Leading Food Processor Stocks

	In Millions of $			In Dollars Per Common Share									
	1945 Gross	1936-39 Avge. Gross	Working Capital	Book Value	Net Current Assets*	1936-39 Avge. Net	1945 Net	1936-39 Avge. Div.	1945 Div.	Recent Price	Price-Earnings Ratio	Investment Rating	COMMENT
Hunt Foods	$16.2Fb	$4.5	$10.3	$19.79	$17.40	deficit	$1.45Fb	None	None	$43	29.6	C2	New acquisitions, better crop prospects, lower taxes and elimination or easing of O.P.A. should improve earnings considerably.
Hygrade Food Products	111.0Oc	40.9	3.6	23.34	6.86	deficit	2.67OC	None	1.00	43	16.1	C+2	Reduced taxes, improved supplies in prospect, and elimination or modification of O.P.A. should greatly increase earnings of this fast expanding company.
Libby, McNeill & Libby	101.2Fb	72.1	36.5	12.43	8.20	.50	.93Fb	.60	.50	13	14.0	C+2	Improved crop prospects and lower taxes should result in earnings imrovement over previous fiscal year.
Morrell, John	158.2Oc	90.3	18.1	64.29	20.28	2.01	2.58Oc	1.58	2.50	54	20.8	B2	With prospects of larger pork supplies in view over the balance of this year and removal of price restrictions, profits of this company should increase over last year.
National Biscuit	205.0	91.1	50.9	12.79	4.20	1.69	1.40	1.70	1.20	34	24.3	B1	Reduced operations, as a result of shortages should be overcome in latter part of year with lower taxes contributing to increased earnings.
National Dairy	632.7	338.8	90.5	19.75	6.48	1.78	2.27	1.12	1.40	41	18.0	B2	Heavy demand for dairy products, increased prices and lower taxes augur improved earnings for 1946.
Penick & Ford	28.5	14.2	7.4	32.78	20.00	2.83	3.67	3.06	3.00	74	20.2	B2	Lower taxes had effect of improving earnings in face of difficulty of obtaining corn supplies.
Pillsbury Mills	140.0My	56.4	19.7	45.86	22.33	2.12	2.46My	1.60	1.45	34	13.8	B1	Flour milling restriction should be overcome later in the year and earnings should show moderate improvement.
Purity Bakeries	56.6	36.9	7.4	18.65	5.61	1.27	2.60	1.02	2.00	36	13.8	B2	Continued large demand for products and lower taxes should overcome effect of sugar and shortening shortages.
South Porto Rico Sugar	18.1Se	12.1	16.6	40.01	15.64	2.27	4.06Se	2.45	4.50	55	13.5	B1	Improved Puerto Rican sugar crop prospects and higher sugar prices should increase earnings.
Standard Brands	259.8	113.7	63.8	22.53	13.80	2.97	2.74	2.70	1.50	47	17.1	C+1	Tax reduction and removal of price restrictions should improve earnings for 1946.
Stokely Van Camp	67.9My	17.0	15.3	12.75	5.77	.30	3.16My	.06	10% Stock	34	10.8	C+1	Heavy demand for company's products, particularly frozen foods, lower taxes and good crop prospects should insure higher profits.
Sunshine Biscuit	81.4	38.9	11.9	45.20	23.40	1.66	5.16	1.41	2.25	53	10.3	B1	First quarter of 1946 net more than doubled 1945 earnings, mainly as a result of lower taxes. Prospects bright for considerably increased earnings in 1946.
Swift & Co.	1307.6Oc	817.1	188.0	47.92	28.58	1.05	2.22Oc	1.28	1.90	39	17.5	B2	Lower taxes and improved outlook for meat, more favorable prices for other products should result in increased profits for this company.
Swift, Int'l.	6.9(w)	4.4(w)	31.8	35.81	21.20	1.62	2.00	2.12	1.80	34	17.0	B2	Larger supplies of livestock are anticipated in Argentina and earnings should improve over preceding year.
United Biscuit	50.6	23.9	5.3	18.34	None	2.18	3.41	1.39	1.25	48	14.1	B1	Increased sales and reduced taxes resulted in first quarter 1946 profits almost triple those of similar quarter of preceding year, with favorable prospects for balance of year.
Ward Baking	60.2	35.0(x)	7.9	7.08	None	deficit	1.07	None	None	18	16.8	C+2	Aided by lower taxes, earnings for March quarter of 1946 increased slightly over 1945 and should show further improvement over the balance of the year.
Wilson & Co.	468.6Oc	268.6	45.0	24.09	4.55	.16	1.64Oc	.25	None	19	11.6	C+1	Better meat prospects for balance of year, reduced taxes and increased sales of sporting goods should materially improve earnings.

* After senior securities.
w—Operating Income. x—1937-9 Avge.

Fiscal year ended—My—May 31, 1945; Se—September 30, 1945; Oc—October 31, 1945; Fb—February 28, 1946.

Present indications point to ample supplies of green vegetables and tomatoes for canning purposes, including condiments, and corn supplies will be plentiful according to estimates of the Department of Agriculture. Chief obstacle from a profit standpoint has been the pricing policies of O.P.A. which drastically curbed profit margins during and since the war. Any price increases will be the result of elimination of price subsidies, and, if possible, some restoration of pre-war profit margins, although the intense competition in the industry among the 50,000 or so food packers will tend to limit price rises. At a recent meeting of the Grocery Manufacturers of America, Inc., speakers discussed competition of frozen foods but the general opinion was that despite the popularity of frozen foods, canned foods will continue to outsell them by a wide margin, and frozen foods are unlikely to become more than an adjunct of regular foods.

Price Increases Indicated

At the annual meeting of the California Packing Corp., A. W. Eames, president, stated that the company plans quite a substantial increase in some of its prices this year to offset increased costs of labor and materials. He further stated that unless price controls are reimposed, the company intends to restore profit margins to 1941 levels. Plants of this company will be fully manned for the first time since 1941 and it is expected that a capacity pack will be produced in the current fiscal year.

Continued shortage of sugar will cause many canners to pack fruits in water instead of syrup as in the past, but this should not affect profits. A plentiful fruit crop is expected, peaches, apricots, cherries, and plums will be abundant and there will be large supplies of pears and prunes. The peach crop is indicated to be nearly as large as last year's record crop of 82 million bushels. The apricot and California plum crops are expected to be larger than last year and above the 1935-1944 average.

Stocks of canned deciduous fruits at the beginning of the 1946-1947 packing season, now getting under way, are the lowest in several years, but it is anticipated that supplies on the whole will be moderately larger than last season's pack and will reach consumers in increasing volume from mid summer on, to relieve existing shortages.

Outlook for packaged foods is clouded at present, particularly with regards to the percentage of supplies to be removed from domestic markets by UNRRA. With the plentiful wheat crop expected this year, supplies of flour should be ample, if export requirements are not too heavy and by all present expectations, foreign crops this year should be almost, if not quite sufficient to take care of their food requirements. Processed flours, however, will not be too plentiful as the sugar shortage is a factor in this phase of the business. Considerably lower anticipated barley crop will reduce supplies of this packaged product, but record corn crop should assure ample supplies for products such as corn flakes, post toasties, etc. Demand for rice for export to the far east will tend to lower supplies of this grain for the domestic market. The California prune crop, used mostly for drying, is expected to be only moderately smaller than last year's crop and another large grape crop is anticipated, assuring ample supplies of raisins. Outlook for dried fruit in general, is good. On the whole this division of the food industry should do well over the balance of the year as any increases in commodity prices will be passed on to the public and labor costs are negligible in relation to total volume.

Growth Trends in Frozen Foods

Growth of this phase of the food business has been phenomenal, production of frozen fruits in 1945 expanding to 472,713,000 pounds as compared with 346,936,000 pounds in 1944, while production of frozen vegetables amounted to 445,165,000 pounds as compared with 340,533,000 pounds in 1944. No great expansion in 1946 is looked for in this phase of the industry due to shortage of freezing equipment, which, however, will be more plentiful in the later part of the year and considerable expansion is expected in 1947, however, predictions were made of a frozen food pack of well over 1 billion pounds in 1946. Many new companies have entered this field and expanded during the war, mainly at the expense of pioneers in the industry, as due to war needs, the new companies were able to get priorities on freezing equipment, while the established companies were considered to have sufficient facilities. In addition to shortage of freezing equipment, there is also the matter of grocery store storage cases, essential in distributing these products. Demand for frozen foods this year has increased approximately 40 per cent over 1945, according to Dr. G. Hodges Bryant, chairman of the board of the Frozen Food Institute. Increased production of both fresh and frozen fish is looked for now that the prolonged Boston port strike has been settled. Considerable increase is expected in canning of salmon, pilchards, mackerel, etc.

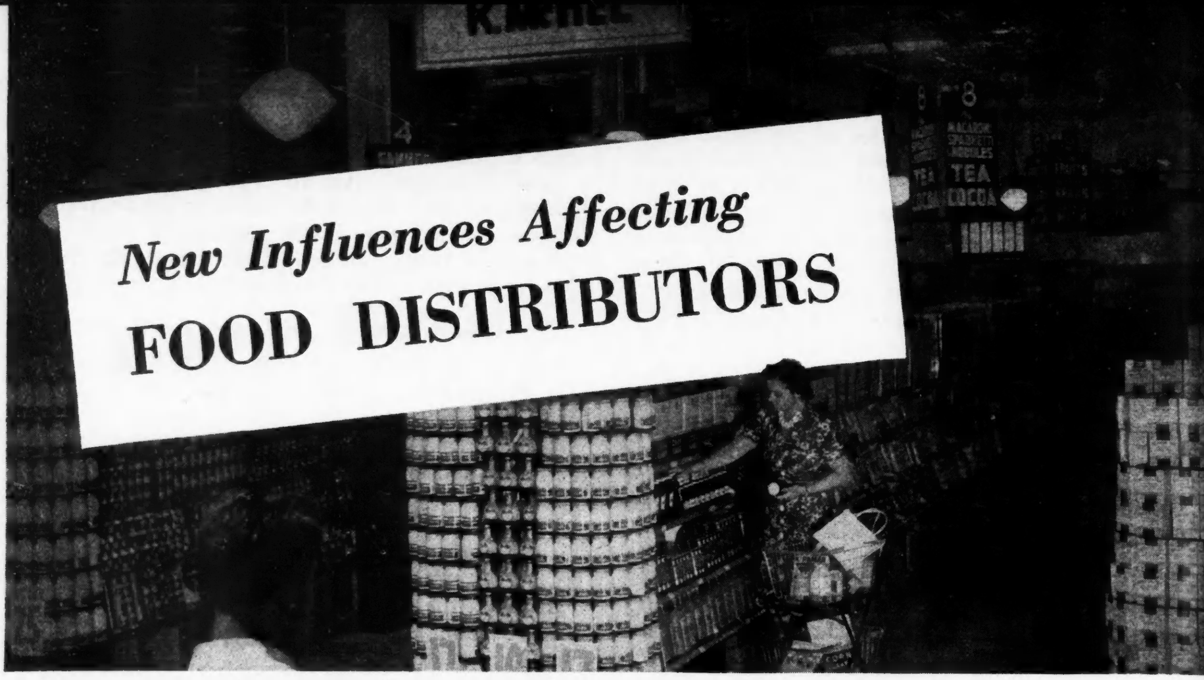
Dairy Products Outlook

Civilian consumption of fluid milk and cream and ice cream has reached a new high level, but supplies of many manufactured dairy products, despite high milk production, have been low. Total milk production recently has been only 1 per cent below a year ago, due to good pasture conditions offsetting feed shortages, and average milk production per cow has set a new record. Profits should be satisfactory, milk prices having been increased from two to three cents per quart since passing of O.P.A. more than offsetting the subsidy paid to producers.

Shortages of flour, shortening and sugar have curtailed operations of baking companies in the past few months and operations were suspended in many baking plants until the supply situation eases. More flour should be available with harvesting of wheat crops and the supply of shortening should increase, but at present, there is no prospect of easier sugar supplies. Increase in the price of bread, with a lowering of weight, together with lower taxes should

(Please turn to page 542)

New Influences Affecting FOOD DISTRIBUTORS



Bumper crop forecasts by the Department of Agriculture and alleviated demand for European needs will probably result in greatly increased stocks on grocers shelves, but uncertain profit margins make forecasting difficult.

By PHILIP DOBBS

THE NATION'S FOOD CHAIN STORES face the pleasant prospect of establishing new sales records, of showing better profits and at the same time of acting as a stabilizing influence on the price structure this year.

Operating on a low margin of profit, the chains depend on a high volume of sales to build profits. During the war years, sales climbed to record highs, attaining a total of $4,710 million last year. Increased costs and heavy government taxes prevented profits from making corresponding gains. So far this year, sales are running 20 to 25 per cent ahead of the 1945 level and income tax rates are less drastic, thus assuming better profits.

Demand for food continues heavy and per capita consumption is higher than in prewar years. For example, egg consumption is estimated at 390 per capita for the present year compared with 281 before the war. Meat consumption has risen to an estimated 146 pounds per capita from 134 pounds, with demand only partly filled.

The major concern of the food chains is a steady flow of supplies, but even there, conditions have been more favorable than general reports of shortages indicate. Although all items have not been available at all times in the chain stores, the overall supply has been fairly well maintained, a fact which has been apparent in the rising volume of sales. Currently, the supply of fresh fruits and vegetables is at an all time peak. The Department of Agriculture, on the basis of intentions from growers and packers, estimates that the commercially processed food pack this year will be 10 to 15 per cent larger than last year's.

Recent elimination of price ceilings is not expected to have a marked effect on prices in the food chains. The very nature of their business calls for a low margin of profit and because of that they will exert a stabilizing effect on prices, which did not exist after the first world war. At that time most of the food business was done by small local chain stores or independents who because of their limited operations were at the mercy of the supplier. He in turn purchased from the wholesaler or jobber.

Most of the large food chains expanded from local to national scope during the late 1920s. With that expansion came increased operating efficiencies made possible by mass distribution and savings were passed on to the consumer in the form of lower prices.

During the war years, the food chains realized that it was not necessary to stock scarce items at fancy prices in order to maintain business volume. Today, with the first rush of price increases at least temporarily halted they are reluctant to pile up supplies at high prices. As a result, some of the chains have fewer hard-to-get items in relation to the volume of their business than have some of the independents. This policy, moreover, has had the effect of backing up some food products at the wholesale level and in some instances easier prices have resulted. Commodity Exchange prices for butter dropped three cents a pound on July 16, and two days later A & P stores reduced the price of butter four cents a pound. Poultry and egg prices are now slightly under what would have been the allowable OPA ceiling for the same period.

The food chains gained public favor during the war years by their adherence to price regulations

and this should enhance their business prospects in the years ahead.

Any estimates of increased profits for the food distribution units must be made with due regard to the many uncertain factors involved. A revival of OPA with no curb on its powers of price fixing is not improbable at this time. Another factor is that certain staple items representing a considerable percentage of food chain sales are at present sold at no profit, if not at an actual loss. The most favorable factor in the entire picture is the elimination of the excess profits tax.

Restaurant Prospects Better

Most favorable factor in the restaurant picture today is the high level of consumer income, which combined with scarcity of food during the war years, caused many families who normally cooked their own meals to dine out. A continuation of this trend is seen as a result of high food prices, as many people of moderate means feel that eating out in moderate priced restaurants is more economical than home cooking, without the fuss and trouble involved. A high level of consumer income has always resulted in prosperity for the restaurant chains, in fact, an index of rising check was once regarded as an augury of rising business activity. Chief unfavorable factors are higher labor costs, higher cost of some materials and scarcity of others. Price increases cannot be too drastic as consumer sales resistance may result.

Sales of restaurant chains in the first quarter of 1946 increased approximately 10 per cent over 1945, largely as a result of higher average checks per customer. Closing of unprofitable units, and rehabilitation of older and more profitable units will result in higher sales efficiency, and increased profit margins.

Reappraisal of Leading Food Distributor Stocks

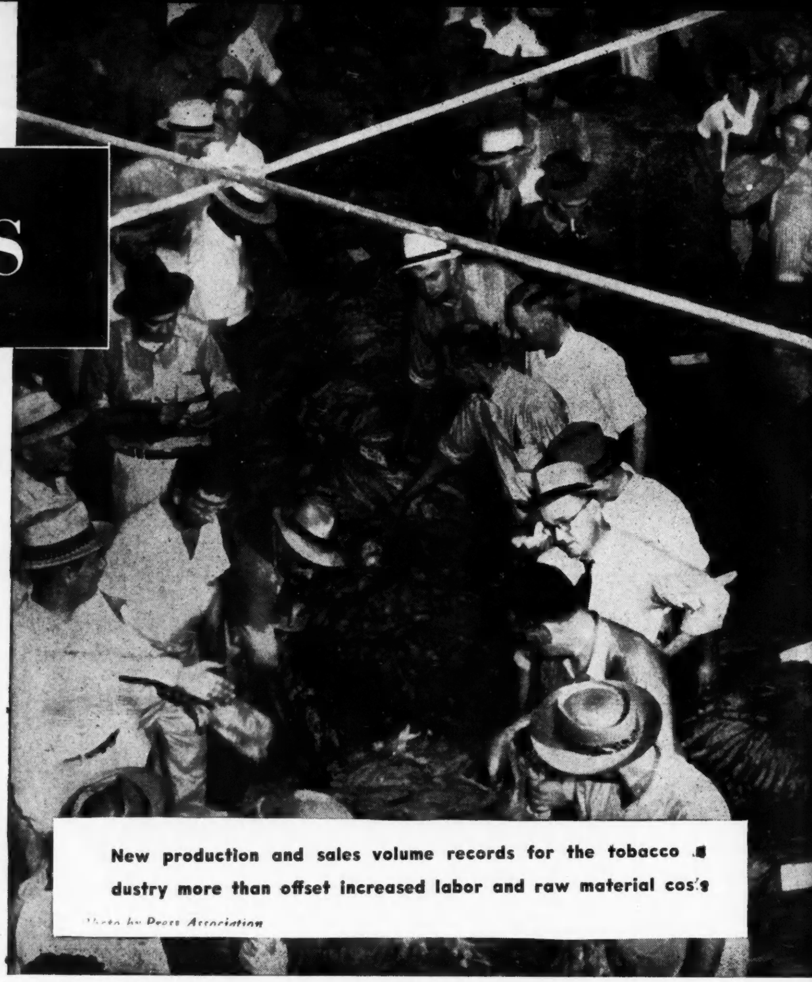
	In Dollars Per Common Share								
	1936-39 Avge. Net	1941-44 Avge. Net	1945 Net	1945 Dividend	Recent Price	Price-Earnings Ratio	Yield	Invest-ment Rating	COMMENTS
American Stores	$.96	$1.48	$1.51	$1.00	$36	23.8	2.8%	C+2	1946 sales thus far show considerable increase over 1945. With lower taxes and removal of price restrictions, profits should benefit accordingly.
Bickford's	1.36	1.46	1.56	1.30	23	14.7	5.6	C2	Profits should increase as a result of lower taxes.
Bohack, H. C.	N.A.	2.36	5.26	Nil	61	11.6	....	C1	High consumer income and lower taxes should benefit this company.
Childs	deficit	.56	2.55	Nil	9	3.5	....	C1	Sales and profits still increasing.
Exchange Buffet	deficit	.28	.78	.50	10	12.8	5.0	C1	Earnings should continue to show improvement.
First Nat'l Stores	3.60	2.93	2.80Mr	2.50	62	22.1	4.0	A2	Lower taxes and elimination of less profitable units should prove beneficial to this company.
Food Fair Stores	1.76	1.60	2.28	1.00	18	7.9	5.5	C+1	Net income for first quarter of 1946 increased almost 300 per cent on sales increase of almost 100 per cent.
Grand Union Co.	.22	1.91	3.47	1.30	46	13.2	2.8	C+1	Earnings for the current fiscal year should increase over the $3.47 per share earned in year ended March 2, 1946.
Great Atlantic & Pacific	6.40	5.60	5.45Fe	4.75	125	22.9	3.8	A2	Elimination of unprofitable units, lower taxes and easing or elimination of O.P.A. should aid in increasing profits.
Horn & Hardart Co.	2.12	2.21	2.20	1.80	45	20.4	4.0	B+2	Elimination of excess profits tax, with continued high consumer purchasing power should result in greatly increased profits.
Jewel Tea	2.79	2.11	2.33	1.50	51	20.8	3.0	B1	Sales in 1946 show considerable increase over 1945, and with lower taxes should result in increased profits.
Kroger Co.	2.15	2.68	3.07	2.00	55	17.9	3.6	B1	Lower taxes and large sales increase almost doubled profits in first half of 1946. Prospects good for balance of year.
Nat'l Tea	deficit	.78	1.33	.85	35	26.2	2.4	C2	Sales increased almost 50 per cent in first half of 1946, while profits increased well over 100 per cent. Better results partly due to elimination of unprofitable units.
Safeway Stores	1.44	1.54	1.59	1.00	31	19.5	3.2	B2	Lower taxes, increased sales, and easing or elimination of O.P.A. should result in greatly increased profits for 1946.
Shattuck, Frank G.	.60	1.02	1.04	1.00	23	22.1	4.3	C+2	Lower taxes and continued high consumer purchasing power should improve earnings of this company considerably.
Thompson, John R.	deficit	1.64	1.37	1.00	19	13.9	5.2	C2	In view of store modernization and lower taxes, earnings of this company should show considerable improvement over past few years.
Waldorf System	1.09	1.38	1.35	1.25	21	15.6	6.0	C1	Lower taxes and increased sales have contributed to considerable increase in earnings thus far in 1946, and earnings should improve over balance of year.

Fe—For fiscal year ended February 28, 1945. Mr—For fiscal year ended March 31, 1945.

TOBACCOS

ENTER A NEW PHASE

By J. C. CLIFFORD



New production and sales volume records for the tobacco industry more than offset increased labor and raw material costs

Photo by Press Association

SINCE OUR LAST SURVEY of th tobacco industry, evidence ha continued to accumulate, point ing to highly favorable opera tions in 1946 for most of th leaders. Although results for th first six months of the curren year will not be determinable fo some weeks yet, it will be surpris ing if shareholders are not glad dened by rather impressive earn ings gains when the figures d become available. Fact is that processors of tobacco, along with manufacturers of shoes and rubber, have been shining examples in the economy when it came to boosting production during the generally chaotic first half year. Better yet, chances are good that between now and New Years, the uptrend in prosperity will continue, unless some very unexpected upsets occur in the economy.

Volume Gains Absorbing Costs

As the industry is noted for outstanding reliance upon mechanization in its operations, the necessity of raising wage costs here and there has not too seriously cut into profits, nor is it likely to become a difficult problem to handle as time passes. Aside from heavy acquisitions of raw tobacco to build up inventories, in the face of strongly supported prices for burleys and flue-cured leaf, over-all costs are further expanded by rising price levels for essential wrappings and containers. But to offset these adverse factors, a record breaking peacetime demand for tobacco products of various descriptions has set in, with the result that volume gains will spread overhead costs and in all likelihood widen profit margins impressively. With selling prices advanced by OPA in recent months and prospects for relief from all price controls now more than visionary, and with excess profits taxes gone for keeps, these additional contributors to the potential profit column add up to warrantable optimism, by and large, although competition naturally will restrict results to reasonable limits. To clarify the picture, we will examine recent developments in more detail.

Competition Keen In Cigarette Field

Among makers of cigarettes, most important segment of the industry, the race for supremacy continues unabated with no change apparent as yet in the relative positions of the "big five." As public reports of interim sales were not obligatory until 1946, comparisons with 1945 and preceding years are not available, but with the knowledge that first quarter volume generally is the lowest of a year's four periods, averaging may indicate trends. Net sales of all tobacco products by American Tobacco Co. for the first quarter were reported as approximately $161 million, for example, against an average per quarter of $139 million in 1945. While military demand was still heavy early last year, relative sales of "Lucky Strikes" in the current year were indubitably swelled by a trend to overstock before a prospective price advance by OPA became effective. Hence conceivably average gains by this or any of the other cigarette companies may not be an acceptable yardstick of full year performance. On the other hand, volume potentials are enhanced

by the increasing level of public purchasing power, the rising ranks of smokers, both men and women, and the trend towards more leisure hours. Even during the reported 100 million man-hours lost in over-all industrial production, due to strikes, cigarette consumption must have gained substantially, although of transitory influence.

The foregoing factors apply equally to all cigarette makers, and should be weighed in scanning potentials and records of the other competitors. Sales of R. J. Reynolds Tobacco Co. for the first quarter amounted to $144 million, attesting to heavy demand for Camels, an estimated gain of some 20% compared with the like period last year, after deducting cost of revenue stamps. Third in point of volume for the spring period was Liggett & Myers Tobacco Co., with sales of $98 million, just about the quarterly average for 1945, and largely accounted for by Chesterfields. Spring sales of Philip Morris cigarettes marked a sharp upturn also, holding the margin between this item and P. Lorillard's Old Gold for fourth and fifth positions respectively.

Cigarette Volume Setting New Records

With volume trending steadily upward during the first half year, the cigarette industry is aiming at a mark of 400 billion units for the full year 1946 compared with 335 billion in 1945. In order to achieve this goal, productive capacity will be used to the limit and some of the larger concerns are planning substantial additions to their facilities. Fortunately, the industry has on hand for curing in their warehouses enough leaf tobacco to assure them of adequate supplies, while prospects for larger crops of new material are reported by the Department of Agriculture as excellent in the current year. Competition for the better grades of leaf has tended to stiffen prices far above the parity level, however, with few signs of any let down. Enactment of the British loan, furthermore, will heighten competition in this field, as tobacco has been singled out by Parliamentary leaders as one of several items which will now be provided in larger measure for smoke-hungry Britishers. But as terms of the loan also give our manufacturers full access to British markets, exports of American cigarettes, cigars and smoking tobacco are likely to assume a new tempo in addition to the raw leaf. And to ease any prospective squeeze in flue-cured tobacco, the Commodity Credit Corporation has on hand substantial supplies of this item.

As some eighteen months are required to cure the tobacco leaf before manufacturing, inventories are not only large at all times but soar fast when business becomes above-average active, as during current conditions. Hence working capital positions must be flexible on a large scale. To meet this problem easily has been a favorable factor for the industry, since exceptionally high credit combined with availability of large loans at record low rates has enabled the tobacco manufacturers to borrow upwards of $350 million or to increase their stock issues on pleasing terms to the investing public.

As varying prices paid for leaf constitute the main factor in determining profit margins in the tobacco industry, the current high level carries great significance. This will be realized more clearly in comparing the average price paid for flue-cured tobaccos in 1945—42.5 cents per pound—with the average 1940 price of 16.4 cents per pound. Relative changes in prices for burleys were very similar. But acreage planted in these two crops rose from 1.1 million acres in 1940 to about 1.6 million acres in 1945 under Federally sponsored efforts to gear production to mounting demand during war years. Similar influence has been called into play successfully to raise estimates for the 1946 crop. Tobacco farmers thus have been rewarded doubly by both increased output and prices, the former factor benefitting the tobacco processors but the latter impinging heavily upon their profit margins.

Stability of the Industry

Under normal conditions, the tobacco industry has experienced less difficulty than might be imagined when prices for leaf exhibited periodic volatility. For some reason the price for raw tobacco appears to be peculiarly sensitive to changes in the level of national income, declining during depression periods far more sharply than the price of cigarettes and other tobacco products. While this relationship goes into reverse during intervals of expanding prosperity, a comparatively small increase in the price of the manufactured items has rather easily proved to be an effective offset. It is for these reasons that the tobacco industry has always maintained a reputation for gratifying stability in good times and bad.

As matters now stand, the cigarette makers especially are emerging from a war period when combined price restrictions and heavy taxes cut severely into profit margins, despite major gains in volume. Final net as reported for the past four years, in fact, fell well below the rates earned in immediate prewar years. But with 1946 relief from EPT and a recent price boost of 25 cents per thousand cigarettes by OPA tended to enhance profit potentials, the Government recognizing the fairness of restoring earnings of the industry to a level more nearly akin with those of prewar. As 1945 net earnings were relatively depressed, as pointed out, the improved position has led to predictions that 1946 volume gains might result in raising net per share for Reynolds and Lorillard by about $1 above 1945, $2 per share for Philip Morris and $3 for American Tobacco and Liggett & Myers.

Hopes such as these are of course brightened at the moment by prospects that all tobacco products may be removed by Congressional action from all

price controls. Even as we go to press, this matter will perhaps be definitely decided. In the event of new freedom to set prices for tobacco products, it is safe to say that manufacturers will be alert to see to it that profit margins are not unduly squeezed by high costs of raw materials, although as a matter of policy any upward marking of prices will be held to minimum limits. Best that can be said is that some degree of insurance against rising costs would be afforded by total relief from OPA restrictions.

Only last week the United States Courts fined four of the leading cigarette makers $255,000 each for violation of the anti-trust laws, not because they had raised prices by mutual agreement, but on the curious ground that they were in a position to do so if it seemed expedient, and if they wanted to lower prices at any time in concert, many smaller concerns would be the sufferers. Quite possibly this court decision might cause hesitancy to lift prices where otherwise the process would seem only natural, but this point can only be a matter of conjecture. On the other hand, if some of the other concerns not involved in the suit were to mark up prices a bit, obviously no blame could attach to the bigger concerns if they followed along with a boost of their own the way would be open.

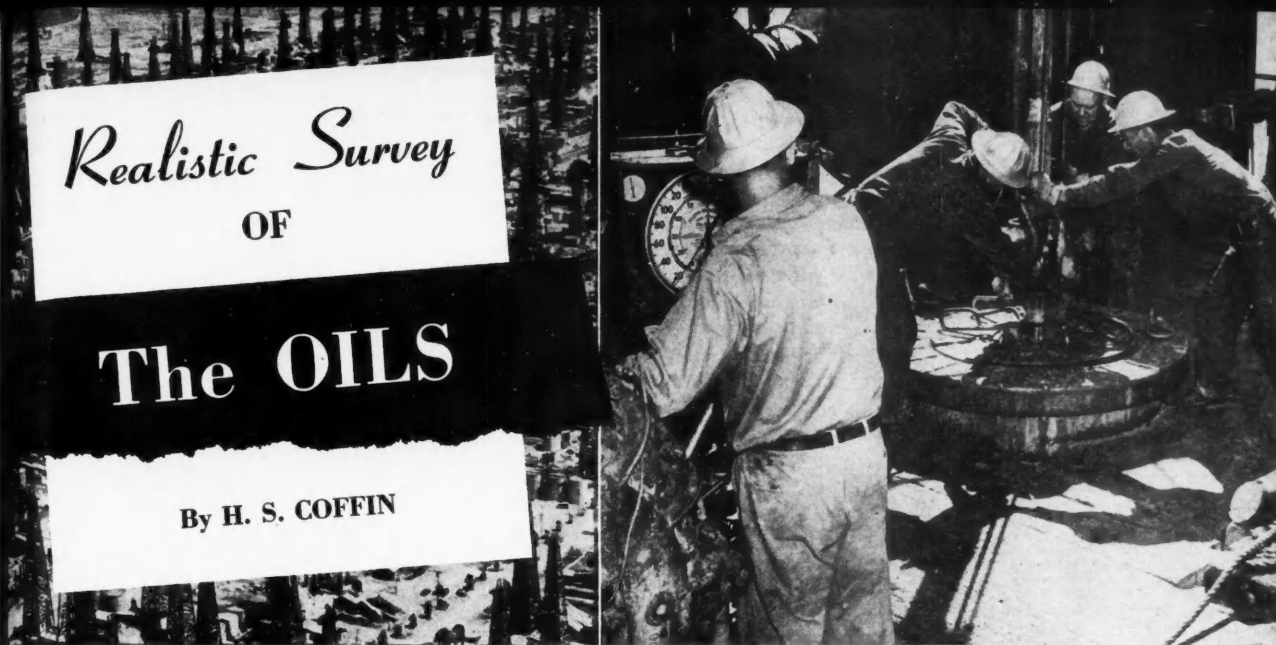
Perhaps the most important factor in determining 1946 earnings potentials, however, will be that of promotional expenses. To retain hard won popularity for a given brand it is apparently necessary to remind the user incessantly of its numerous good qualities, lest some competitor persuade him to enter a new fold. With millions of new smokers of both sexes also building up market potentials every year, tremendous sums are spent on radio programs and advertising in the battle to attract buyers. The initial outlay for a pack of cigarettes is so moderate that the price barrier is a minor factor in attracting new customers, although in competition a penny or so makes a lot of difference. Whereas the average price of a pack of cigarettes in 1942 was only a cent above the relative price 20 years earlier, accordingly, wide variations in promotional costs existed. To hold or lure the customer's 1946 budgetary allowance for tobacco is sure to involve unusually heavy advertising outlays by the manufacturers. As relative expenditures along these lines are not determinable, *(Please turn to page* 538)

Position of Leading Tobacco Companies

	In Dollars Per Common Share								
	1936-9 Avge. Net	1941-4 Avge. Net	1945 Net	1945 Dividend	Recent Price	Dividend Yield	Price-Earnings Ratio	Investment Rating	COMMENTS
American Snuff	$3.20	$2.33	$1.83	$2.00	$45	4.4%	24.6	B2	Stability of demand assures well maintained dividend rate, although growth prospects are not impressive. Strongly financed concern.
American Tobacco "B"	4.69	4.23	3.69	3.25	95	3.4	25.6	B+2	Dominant factor in tobacco industry. Rising sales plus benefits from increased cigarette prices bolster earnings prospects. Dividend secure.
Bayuk Cigars	2.90	3.41	3.44	2.00	56	3.6	16.2	B3	Leading maker of low-priced cigars, strongly entrenched with brand popularity. Lower taxes favor earnings potentials. Dividend amply earned.
General Cigar	2.20	2.11	1.33	1.25	36	3.5	27.0	C+2	Second largest in low-priced field. Satisfactory volume supports outlook for favorable profit margins. Dividend unlikely to change in near term.
Helme G. W.	6.16	4.26	3.71	4.00	82	4.9	22.1	A2	Ample finances tend to stabilize dividend distributions, and current high demand points to continued satisfactory operations.
Liggett & Myers "B"	6.45	4.64	4.30	3.50	96	3.6	22.4	B+2	Company is aggressively pushing sales to meet cigarette competition. Wider profit margins expanding net earnings. Dividend stability indicated.
Lorillard	1.46	1.43	1.27	1.00	26	3.8	20.5	B+2	Established trade position favors outlook. Margin of net earnings over dividends likely to widen in 1946. No change in rate probable.
Philip Morris	2.90	3.50	2.67	2.25	47	4.8	17.5	B+3	Speedily recovering from temporary set back last year. Sales rising and earnings potentials enhanced. Present dividend fully covered.
Reynolds Tobacco "B"	2.67	1.97	1.89	1.60	44	3.6	23.2	B+2	Second largest in field. Rise in cigarette prices will increase profits in current year. Ample finances support current dividend rate.
U. S. Tobacco	1.88	1.34	1.13	1.20	27	4.4	23.9	B+2	Growth prospects not impressive but satisfactory sales permit fair earnings. Strong working capital position supports dividend stability.

Realistic Survey OF The OILS

By H. S. COFFIN



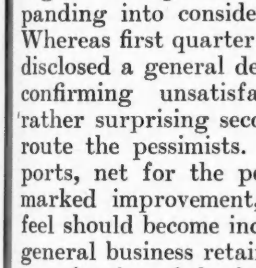
by Ewing Galloway

Consumption of oil products is expected to equal and possibly exceed tremendous demand of the war years, despite drop in car registrations of approximately 5 million since Pearl Harbor. Industrial and feul consumption is heavy.

PROSPECTS FOR THE OIL INDUSTRY have gradually but consistently brightened during the first half of 1946. Early in the year gloom over the outlook began to evaporate with the advent of spring, expanding into considerable optimism by midyear. Whereas first quarter earnings, with few exceptions, disclosed a general decline against a year ago, thus confirming unsatisfactory operating conditions, rather surprising second quarter activity tended to route the pessimists. Judging by preliminary reports, net for the period just ended should show marked improvement, a trend which experts now feel should become increasingly expressive, provided general business retains its current brisk tempo. An examination of the factors which combine to feature the near term perspective, accordingly, should prove constructive to shareholders in this important industry, bearing in mind that individual concerns will achieve varying results because of operational differences.

Outlook For Second Half

While, as mentioned, second quarter earnings seem likely to reflect substantially improved operations compared with the previous three months, it must not be assumed that the betterment will push the average for six months up to that of 1945 first half. To the contrary, the showing is more probable to exhibit a relative over-all dip of around 15%. But it looks as if during the second half earnings may gain at a rate to bring final year results rather closely in line with those of 1945, with well-based expectations that in 1947 a further upward trend towards possibly peak profits may set in.



So huge is the oil industry, with all of its ramifications, that the foregoing generalities naturally will not apply to all of the hundreds of large and small competitors in the field. Fact is that in the production branch of the economy, petroleum in one form or another ranks near the top in importance, and if controlled transportation and distribution were included, only agriculture would exceed it in size. But in this enormous industry, competition is more than ordinarily acute, with the result that no one concern shares in as much as 10% of the total volume, some fully integrated but many serving as specialists in the production of crude oil and natural gas, others as refiners and processors, and still another group concentrating upon transportation. Hence widely divergent results and prospects are the rule of the day.

Heavy Oil Consumption Indicated

According to Petroleum Advisers, Inc., a subsidiary of Cities Service Co., 1946 consumption of crude oil and its innumerable products now appears almost certain to equal that of 1945, or 20% above 1941. More definitely, this prediction attributes 15% of the latter gain to demand for gasoline and 30% to heavy fuel and distillates. Accountable reasons given for these newly revised and more optimistic expectations are first, the extraordinary manner in which industrial demand has been sustained despite the spring chaos in the economy. Apparently the traditional, secular growth charac teristic of the petroleum (*Please turn to page* 540)

Pertinent Statistics On Petroleum Stocks

	1936-9 Avge. Net	1941-4 Avge. Net	1945 Net	1945 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
	—In Dollars Per Common Share—								
Amerada Petroleum	$1.15	$2.52	$3.42	$1.50	$84	24.6	1.8%	B—2	Owns valuable oil holdings in a number of States. Prospects for large sale of crude at rising prices enhances outlook. Dividend amply covered.
Atlantic Refining	2.29	4.15	.34	1.50	49	144.0	3.1	C+3	Eastern Seaboard refiner with important outside oil holdings. Improved industry prospects suggest uptrend in earnings after recent dip. No change in dividend.
Barnsdall Oil	.97	1.70	1.97	.80	30	15.2	2.7	B2	Producer, refiner and distributor of petroleum products, controlling widely distributed acreage. Dividends likely to continue at current rate.
Continental Oil	1.77	2.92	3.23	1.60	46	14.2	3.5	B2	Large and well integrated operator with extensive oil reserves in California and Mid-West. Probable slight decline in first half year net no threat to dividends.
Gulf Oil	2.38	3.52	4.98	2.00	73	14.7	2.7	B2	Well integrated concern, controlled by Mellons. Large oil reserves here and abroad. Present dividend seems secure.
Humble Oil	2.04	2.37	3.94	1.50	69	17.5	2.2	B1	Subsidiary of S.O. of New Jersey. Has immense oil holdings and large refinery output. Earnings amply cover dividends.
Mid-Continent Petroleum	1.85	3.26	4.34	1.75	42	9.7	4.2	B1	Southwestern operator of moderate size but integrated. 1946 net may not equal 1945 but current trend probably up. No change in dividend likely.
Ohio Oil	.54	1.90	2.13	1.00	28	13.1	3.6	B2	Important Mid-West operator with stable earnings and an upturn probably in sight. $1 per share dividend rate conservative in relation to net.
Pan-American Petr. & Tr.	.72	1.16	1.11	.25	17	15.3	1.4	C+2	Less well integrated refiner and distributor of crude. Earnings somewhat variable but present conservative dividend appears stable.
Pantepec Oil of Venezuela	....	.22	.75	.48	11	14.7	4.4	C2	Joint owner with Creole Petroleum of large reserves in Venezuela. Expanding production expected to boost net earnings, thus assuring current dividend.
Phillips Petroleum	3.42	3.47	4.60	2.00	69	15.0	2.9	B3	Largest producer of natural gasoline and well integrated in all divisions. 1946 profits likely to equal 1945. No change in dividend apparent.
Plymouth Oil	2.37	1.85	1.65	1.00(x)	27	16.3	3.7	B3	A specialist in production of crude. Heavy demand and improved prices should better earnings. Present dividend likely to prove stable.
Pure Oil	1.33	2.74	2.64	.75	27	10.2	2.7	B3	Integrated operator serving many markets. Considerable leverage for common lends speculative appeal. Dividend stability well assured.
Quaker State Oil Ref.	1.12	1.38	1.37	1.00	23	16.8	4.3	B1	Processor of lubricants and greases derived from Pennsylvania crude. Profits showing improvement. No change in dividend indicated.
Richfield Oil	.58(a)	.99	.74	.75	19	25.7	3.9	C+2	California producer. Refinery output outstrips production of crude. Earnings warrant stable dividend.

(a) 1938-9 Average. (x) Plus 1½% Stock.

Table continued on following page

Pertinent Statistics On Petroleum Stocks

	In Dollars Per Common Share								
	1936-9 Avge. Net	1941-4 Avge. Net	1945 Net	1945 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
Seaboard Oil of Delaware	$1.72	$1.33	$2.20	$1.00	$34	15.4	2.9%	B3	Well established but not large producer of crude. Partially owned by Texas Co. Full years earnings likely to offset early 1946 dip. Dividend safe.
Shamrock Oil & Gas	.04	.87	.87	.30	28	32.2	1.1	C3	Panhandle producer of natural gas and crude. Rather variable earnings record but modest dividend probably will continue.
Shell Union Oil	1.12	1.63	2.13	1.50	40	18.7	3.7	B2	Internationally operating and well integrated leader. Expanding volume next six months should restore recent dip to assure present dividend.
Sinclair Oil	.94	1.70	1.31	1.00	18	13.7	5.5	B—3	Ranks high in industry. Well integrated but production does not equal refinery output. Prospects of larger volume favor small but stable dividend.
Skelly Oil	3.68	6.17	8.69	2.00	76	8.5	2.6	B2	Small but well integrated operator with ample oil reserves. Conservative dividend in relation to earnings assures steady payments.
Socony-Vacuum	1.40	1.38	1.36	.65	18	13.2	3.6	B3	One of the largest and strongest oil concerns, with substantial refinery output and plenty of crude, both here and abroad. Dividend amply earned.
South Penn. Oil	1.56	197	2.44	1.80	35	14.3	5.2	B1	Dominant producer of Pennsylvania crude, with well established trade position as to gasoline and lubricants. Recent earnings off slightly but dividend secure.
Standard Oil of Calif.	2.14	2.75	4.27	2.00	55	12.8	3.6	B2	Ranks as leader on Pacific Coast. Immense oil reserves here and in Middle East favor outlook. Prospective uptrend in net assures current dividend rate.
Standard Oil of Indiana	2.70	3.31	3.29	1.50	46	14.0	3.3	B2	Largest Mid Western operator in all divisions, with all modern facilities. Large volume and ample earnings stabilize dividends.
Standard Oil of N. J.	3.88	4.59	5.64	2.50	78	13.8	3.2	B2	International producer and refiner. Dominant unit in the industry. Technological improvements and huge reserves enhance prospects. Dividend safe.
Sun Oil	1.99	4.01	4.44	1.00(x)	72	16.2	1.4	B1	Owns tremendous oil holdings in U.S. and abroad. Shipbuilding provides diversification. No change in dividend likely.
Texas Co.	3.58	4.17	4.61	2.00	65	14.1	3.1	B2	Second largest oil producer and third largest refiner. Reserves of international scope. Earnings down slightly but with no danger to dividend rate.
Tide Water Assoc. Oil	1.36	1.95	2.57	.80	23	9.0	3.5	B2	Medium sized operator, well entrenched in domestic markets. Well controlled cost tend to stabilize net. current dividend earned by wide margin.
Union Oil	1.68	1.50	1.87	1.00	27	14.4	3.7	B2	Second largest integrated concern on West Coast. With depreciation charges declining, trend of net for balance of 1946 should be up. Dividend secure.

(x) Plus 10% Stock.

Opportunities...

for Income and Price Appreciation

IN BONDS And PREFERRED STOCKS

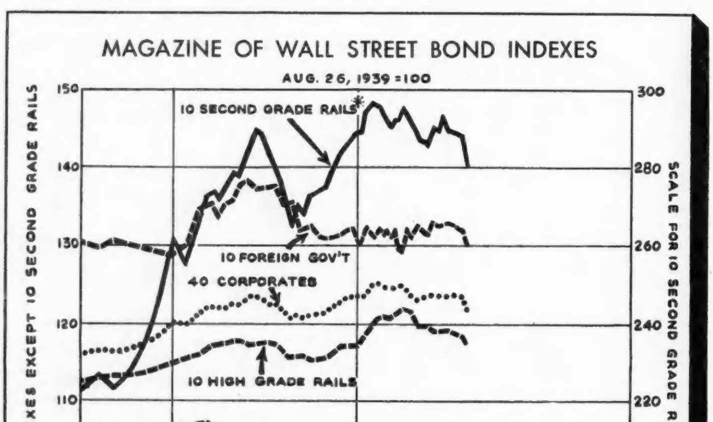
By JACKSON D. NORWOOD

THE MAGAZINE OF WALL STREET's Index of Bond Prices showed the following changes for the period indicated:

	On July 13	On July 20	
40 Domestic Corporates	123.2	122.7	— .5
10 High Grade Rails	118.5	117.9	— .6
10 Second Grade Rails	282.0	280.8	—1.2
10 High Grade Utilities	99.6	99.5	— .1
10 High Grade Industrials	105.7	105.5	— .2
10 Foreign Governments	131.2	130.8	— .4

As will be noted from the tabulation above, reaction prevailed in the bond list during the period under review, reflecting, for the most part, the unsettlement in the stock market. But except for the pressure on second grade rails, declines have been nominal, and selling has been of moderate proportions. The markdown in rail liens comes as no surprise, of course, being attributable to factors which have been discussed in these columns in recent weeks, namely the carriers' problem of meeting rising costs with declining gross revenues. At the base of the entire problem is the rate situation, the last increase of 6.5% having been inadequate for most operators, so that more liberal rate treatment will have to materialize if the roads are to meet their mounting operating costs.

Action of the high-grade bond market is about what one might expect under the circumstances, namely, the accumulating evidence of gradually firming money rates from the extremely low levels which have prevailed in recent years. With further moderate strengthening in the money market likely in the months ahead, it is reasonable to assume that top-quality bonds have already seen their best prices for this year. While no severe decline in quotations is anticipated, the market nevertheless will gradually adjust itself to the new trend in interest rates, so that portfolio policies should be governed accordingly, especially with respect to longer term maturities of high grade issues.



In line with this reasoning, it is also logical to expect that new offerings may be priced at a slightly higher yield basis from here on. Certainly the inability of some "borderline" quality bonds of late bears out this belief. It would be well to keep a watchful eye on the municipal bond market, as well as the corporate field, for signs of this nature. New municipal offerings for the second half of the year are expected to approximate the $1 billion volume attained in the initial half.

ALLIS-CHALMERS MANUFACTURING CO.: Stockholders will vote at a special meeting to be held on August 24, on proposal to create 500,000 shares of $100 par cumulative convertible

preferred stock. Directors have proposed offering to stockholders of 359,373 shares of the new preferred on basis of one new share of preferred for each seven common shares held. Additional 140,627 shares will be held available for issuance at a later date.

Offering price of the new preferred, dividend rate and conversion rates cannot be set until after approval of stockholders, but contemplated offering price will be not less than $100 per share, dividend rate about 3½ per cent and conversion rate related to market value of common stock at date such rate is set. Stockholders will also vote on increase of authorized common stock from 2,750,000 shares to 3,750,000 shares to provide for conversion of new preferred stock. Presently outstanding common stock consists of 2,515,369 shares.

Proceeds of new preferred issue will be used for expansion of tractor plants at Springfield, Ill., and La Porte, Ind., and machinery works at West Allis, Wis. and Norwood, O. Minimum expenditures necessary are estimated at $17 million for tractor plants and $10 million for machinery plants and these expenditures will improve working conditions, lower costs and provide facilities for new products.

UNITED CORP.: The Securities and Exchange Commission approved proposal of United Corp., subject to certain conditions, to pay in full on its outstanding 1,214,699 shares of $3 cumulative preference stock, all accumulated dividends, which on July 1, last amounted to $7.50 a share. Proposal is part of capital simplification program, designed to eventually eliminate the preferred stock and leave the company with a single class of common stock outstanding.

UNITED STATES PLYWOOD CORP.: Registered with the Securities and Exchange Commission for issuance of 60,000 shares of cumulative preferred stock, Series A, with par value of $100 per share. Dividend rate will be filed later by amendment, and subject to the registration statement becoming effective, it is expected that the shares will be offered to the public next month by a group of underwriters headed by Eastmon, Dillon & Co.

Of the proceeds from the sale of the new preferred, the company will use approximately $2,458,310 to redeem 13,824 shares of cumulative preferred stock, Series A, and 9,412 shares of cumulative preferred stock, Series B now outstanding at $106 and $105.50 a share, respectively, plus dividends to September 30, in each case. Balance of net proceeds will be added to general funds to be used in connection with company's plans for expansion and improvement. Company recently acquired all the capital stock of Seattle Export Lumber Co. and controlling interest in Kosmos Timber Co., representing expenditure of nearly $2,000,000. A sum of $400,000 has already been appropriated for additions to plants of company's Canadian subsidiary, Hay & Co., Ltd., and about $215,000 will be expended for new warehouses in Detroit and Oakland.

Giving effect to proposed financing, company will have outstanding, in addition to new preferred stock, $525,000 of 3 per cent notes, $105,900 mortgage indebtedness and 699,864 shares of $1 par common stock.

Suggestions for Current Investment Funds

Bonds:	Recent Price	Call Price	Current Yield
Amer. & For. Pwr. Deb. 5's, 2030	$110	$106	4.5%
Lehigh Coal & Nav. S.F. 3½'s, 1970	107	105	3.3
N. Eng. Gas & Elec. Ass'n. Deb. 5's, 1950	101	100½	4.9
N. Pacific Ref. & Imp. 5's, C, 2047	109	105*	4.6
Pittsb'gh & W. Va. 1st 4½'s, 1958-60	102	102	4.4
Southern Pacific Deb. 4½'s, 1981	110	110	4.1
Preferred Stocks:			
General Cigar 7% Cum. Pfd.	$178	N.C.	3.9%
Goodyear Tire & Rub. $5 Cum. Cv. Pfd.	106	$110**	4.7
Lipton (Thos.) 6% Cum. Pfd. (Par $25)	30	30	5.0
Pacific Gas & Elec. 5½% Cum. 1st Pfd. (Par $25)	40	N.C.	3.4
Union Pacific 4% Non-Cum. Pfd.	116	N.C.	3.4
Virginian Rwy. 6% Cum. Pfd. (Par. $25)	43	N.C.	3.5

N.C.—Not Callable. *Not prior to July 1, 1952.
**To 10/1/46; thereafter at 105.

GENERAL BRONZE CORP.: Stockholders will vote August 15 on a proposal to authorize issue of 200,000 shares of cumulative preferred stock, par $25 of which 115,000 shares will be issued at a dividend rate not to exceed 4½ per cent annually. Provision will probably be made for conversion of the new stock at approximately $30 per share during the first five years. From proceeds of the sale, a new plant estimated to cost about $2 million, including equipment will be erected at Hempstead, N. Y., and will provide considerably increased production facilities for manufacture of aluminum and bronze windows, aluminum screens, and air oil-fired domestic heating units.

NEW ENGLAND GAS & ELECTRIC ASSOCIATION: Will advertise during week of August 5, for competitive bids for $22,500,000 of twenty-year collateral trust bonds and total of up to 1,568,980 new common shares. Announcement followed approval by the United States District Court for the District of Massachusetts of application by the Securities and Exchange Commission to enforce and carry out recapitalization plan approved by the commission on June 24.

Upon completion of sale of the new issues, consolidated senior capital outstanding will consist of $9,580,000 of subsidiary funded debt and $22,500,000 of the Association's collateral trust bonds. This constitutes a re- (*Please turn to page* 542)

BUILDING Your Future Income

EDITORIAL:

Success From Failure

WHEN THE LATE Ogden Armour once said that "Experience is of value only for what it can teach us in the future," he might have gone a step further by adding "Hence discouraging experience may prove to be a great asset". Study the most meteoric careers among self made leaders, and most of them will admit that profiting by early or occasional mistakes went a long way towards helping them gain their ultimate goal.

Business life is full of pitfalls for the unwary, sometimes defined by personal idosyncrasies, again by lack of knowledge, and finally by imponderables. Only by sheer luck can the seeker of business success hope to climb the ladder without incidental missteps, sometimes approaching serious casualties. Despite all the advice and reading an enterprising business man can absorb, whether in a routine salaried job or heading his own establishment, it is mainly by actual experience with hard bumps that a constructive lesson can be learned.

Over-caution in an attempt to avoid all misfortunes hence can easily become a more dangerous handicap than the pitfall themselves, for rational confidence and daring are the basis of all progress. The acid test for success is found, not in discouragement over set backs, but rather in welcoming them as an education which may well bring dividends during the hard road ahead. Expensive and gruelling as they may seem at the time, they preclude repetition in the future and constitute an asset which no amount of money could buy. The big trick is to forget the transient pain involved in building up ammunition for the future.

• This Department is dedicated to serve men in building up a reserve through every known means that will create stability—bringing the comforts and joys of life—and happiness.

It's our contribution, too, toward the firming of the foundation of our economy so that we will retain our status as free men and women in a new world.

To you, our subscribers, we extend an opportunity to assist in spreading this doctrine toward security and right thinking—in the schools and universities, and in your own homes and offices.

We are happy to cooperate and serve.

C. G. Wyckoff, Publisher.

Special Purpose ACCIDENT Policies

By EDWIN A. MULLER

Photo by INP

While many careful people feel they do not require accident insurance reckless drivers can upset the calculations of even the most conservative

IN THE PRECEDING ARTICLE, I dis-discussed a Special Purpose Accident Policy, its benefits and advantages as adapted to a certain class of individuals. By that I mean certain contracts are indicated to provide the protection afforded these classes. In this article, I propose to discuss a comprehensive, all-inclusive accident policy which is not only adaptable to a certain class, but can be incorporated as an essential part of complete personal protection for the average individual, as well as all members of the family.

Economic Toll of Accidents

I cannot stress too greatly the terrific economic loss which is suffered by this nation due to accidents, not only in suffering, but also in unnecessary deaths. Consider, too, if you will, the extended economic loss due to permanent injury, such as blindness, loss of limbs, spinal injuries, broken bones etc.

I previously mentioned that the economic loss due to accidents can in some measure be insured just as life insurance can provide indemnity for loss of life. A special accident policy is detailed below and gives sure broad coverage for protection for individuals actively engaged in a business or profession.

Illustration

POLICY GUARANTEEING YOU AN INCOME, IF UNABLE TO ATTEND TO YOUR BUSINESS AS A RESULT OF INJURY

Occupation, Recreation, or any other accident.		Public Conveyances, on land or water, (Taxicabs included) Double Benefits Payable

FOR LOSS OF LIFE, LIMBS OR SIGHT

$10,000	Loss of Life	$20,000
10,000	Hands, Feet or Eyes	20,000
5,000	Hand or Foot	10,000
3,250	Sight of One Eye	6,500
2,500	Thumb and Index Finger	5,000

WEEKLY INDEMNITY

$50	Total Disability — payable as long as disabled even for life	$100
$20	Partial Disability—payable up to 26 weeks	$40

SPECIAL ALL MEDICAL REIMBURSEMENT FEATURE

Pays the actual expense of treatment by a Physician or Surgeon, Nurse and Hospital Fees, X-Ray Pictures, medicines—in fact ALL medical expenses in connection with an injury up to...... $1,000

and the above amount is paid in addition to all other indemnities.

OPTIONAL LUMP SUM PAYMENTS in lieu of weekly indemnity for certain fractures, dislocations and amputations, up to............$650

Annual Premium—$63 50

Death Benefits Included

From the foregoing it will be seen that a substantial death benefit is provided as well as a regular weekly income. This income, if the disability shall wholly and continuously disable the insured, will be payable as long as it shall so exist, even for life.

In addition the medical expense section will provide reimbursement for all Hospital, Nurses, Medical, Surgical fees up to the limits prescribed. Accordingly under this type of policy an individual could collect weekly indemnity, medical reimbursement and finally the principal sum of the policy by reason of subsequent death, provided death occurred within 200 weeks after the date of the disabling accident.

The following case history may be of interest to our readers. Announce- (*Please turn to page* 538)

Individual Achievement

Under Free Enterprise

By WILLIAM A. HOWELL

HARRY W. ALEXANDER

Having seen what American industry can do when allowed to operate without restrictions, Mr. Alexander testifies to the benefits which only the free enterprise system can provide.

ONE OF THE DISTINGUISHING features of the free enterprise system is the ability of business management to make and carry out its own decisions. This is in marked contrast with State-controlled economies where managerial decisions are made at the Government level and dutifully carried out by those in charge of corporate enterprises. It is encouraging—and perhaps significant—that modern management is increasingly aware of its own great responsibilities in enjoying such privileges, and in order that they may operate with maximum efficiency, executives frequently call upon outside counsel in matters involving weighty decisions. And when a man has been counseling business executives for some thirty years, he gains perspective as well as experience.

Building Sales and Profits

It's because of such intimate contact with business problems that Harry W. Alexander has been preaching the gospel of free enterprise for many years. He has seen businesses grow and prosper in an economic climate which only free enterprise can provide. What's more, he's developed many a formula for putting sick businesses on their feet and building sales and profits for numerous others.

In a career of this sort, there's plenty of color and excitement, and probably nothing is more thrilling than to analyze an industrial problem on which millions of dollars hinge and then watch it come to successful fruition. Such was the satisfaction Mr. Alexander had when he increased a client's sales volume from $2,600,000 to $8,100,000 in three years, and when he likewise built up gross receipts from $16,000,000 to $33,000,000 for another account.

These things were accomplished not by any sort of magic but by application of basic principles which are the very basis of the free enterprise system. Mr. Alexander's major interests have centered, to a large degree, around the marketing and negotiating phase of business administration, for it is from this phase that all profits originate. Whatever affects your selling operations obviously affects your whole organization and spells the difference between economic survival and extinction. And if this is true of individual enterprises, it is still more the case for a society made up of individual organizations. Restrict your marketing activities through secret trade quotas, needless restrictions and red tape and you soon choke the arteries of commerce and the livelihoods dependent thereon.

Mr. Alexander has (*Please turn to page* 538)

● The Magazine of Wall Street is initiating herewith a new feature series dedicated to the proposition that only under a free economy can individual achievement be realized to its fullest degree. Commencing with this issue we are presenting brief biographical sketches on leaders in various fields of endeavor who can testify to the merits of free enterprise as opposed to a regimented economy.

Helping THE Small Businessman

By H. M. TREMAINE

AMONG THE MANY INTERESTING FIELDS which small businessmen are increasingly entering is that of selling by mail. While there is nothing novel about paying the Postoffice to distribute goods and services, so little is commonly known about the pros and cons of such an enterprise that quite logically most people would hardly give it a second thought as a potential bread-winner. With proper fundamentals and wise handling, however, considerable profit in some cases has resulted for novices in this specialized industry, although probably more often than not, many hit or miss adventurers have lost both time and money through their ill-advised efforts.

Proceeding With Caution

It goes almost without saying that anyone eyeing with envy the success of the big mail order houses and fired with zeal to do a big scale business in a hurry will almost certainly experience rapid disappointment and loss. With no established reputation and with limited capital, a beginner who merely acquired a hodge-podge of ordinary items to be hopefully sold for a postage stamp cost would be doomed at the outset. Indeed, his promotional costs might soon exhaust his bank roll, for, generally speaking, experience has shown that it costs just as much to sell the average run of goods by mail as by ordinary methods, and at the start the latter are invariably heavy. Under the most favored circumstances, selling and promotional outlays are likely to absorb 20% or more of the price obtained.

Due to the fact that innumerable mail order businesses started in a small way have gone out of existence for no definitely determinable reasons, other than that they simply could not make good, it is more constructive to study the factors which have contributed to make many small mail order businesses successful. One advantage of this method of selling goods is that headquarters can be located almost anywhere in the United States, even on a distant farm, provided shipping costs are not too heavy in building up inventories. Additionally, a remote location in itself may further hopes of successful progress, provided some interesting item or items of genuine appeal are obtainable in the region, for more than one profitable mail order business has been built up from scratch through offering products not obtainable elsewhere. For example, one vendor by mail of Indian woven neckties is reported to have established tens of thousands of steady clients all over the country from Headquarters in New Mexico. Similar success is indicated for an enterprising small merchant in New England, who started with mail offerings of maple sugar products made in his native environment. And who has not yielded to the lure of colorful mail describing fruits and nuts from California and Florida?

Mail Order Advantages

Best feature of many of these small but profitable ventures is that the early capital risk is very modest, because test offerings can be held to narrow limits involving small costs for (*Please turn to page* 539)

Photo by Lambert

Heavy promotional expenses are required to assure any chance of success in the mail order business.

FOR PROFIT AND INCOME

Reaction?

Dubious for some time, chart action became bad last week. After hesitating for several days around the double-bottom reaction-lows of May-June, the Dow industrial average fell through that support level on heavy volume. The rails went on to break their February intermediate reaction low. The only question now is whether the downswing from the bull-market high of late May (mid-June for rails) will go into the records as an intermediate correction or the initial phase of a bear market. That it could be the latter is hard to believe on the basis of economic-financial fundamentals, subdued speculative tendencies and moderate volume for some months, and the fact (noted here before) that so many people had been on the look-out for a major top. So this column's tentative view is that it is a bull-market correction. Still—keep your fingers crossed, pending a possible near-by test of the important February low in the Dow industrial average and our composite weekly index.

Defense

At any rate, market action calls for increased emphasis on defensive investment policy. One step is to reduce the percentage of capital funds in common stocks and increase that in the safety-first backlog. The latter might be top-grade bonds, if some income is demanded; otherwise, cash or short-terms. Few investors can be justified in staking all on equities at this stage. In paring down, the soundest principle is to weed out the more speculative issues, not necessarily those which show you the biggest profits. The need for selectivity in buying or selling today can not be over-emphasized.

Increases Shown in Recent Earnings Reports

		Latest Period	Year Ago
Beech-Nut Packing	6 mos. June 30	$3.28	$2.44
Bliss & Laughlin	6 mos. June 30	1.41	1.00
Butler Bros.	6 mos. June 30	1.61	.58
City Ice & Fuel	6 mos. June 30	1.72	.97
Gair, Robert	6 mos. June 30	.57	.20
General Outdoor Advt'g.	June 30 quar.	.77	.37
General Precision Equip't.	June 30 quar.	.88	.57
Hershey Chocolate	June 30 quar.	1.76	1.08
National Gypsum	6 mos. June 30	.93	.27
Sunshine Biscuits	6 mos. June 30	2.68	1.14

Contrast

Money is still cheap when American Telephone can sell, as it did last week, $125 million 40-year debentures on a yield basis to buyers of about 2.5%. But the buyers were predominantly institutional. By contrast, recent new stock issues have ranged from sticky to flops. New equity issues were going fine as long as buyers were willing to bet on quick mark-ups — in which, by the way, considerable free-riding was done by underwriting insiders and their friends. The bloom is off that game for at least some time to come. Serious "indigestion" in the speculative new-issues market is one of the things the matter with the listed stock market.

The Best

As we write, the oils are the best-acting large group of stocks in the market. The reasons why they should be have been cited here before. Suffice it to say that the anticipated price increase of

25 cents a barrel in crude oil is probably nearby. It will sharply aid crude oil producers (examples Amerada, Humble, Barnsdall, Ohio Oil); also integrated companies which produce more crude than they refine (Continental is outstanding in this respect). Moreover, by permitting economically-balanced operations, all strongly-integrated units will benefit, whether they have excess crude for sale or not. (Choice examples: Standard Oil (New Jersey), Phillips Petroleum, Gulf Oil.)

The Utilities

Although a few utilities have held well, the group as a whole has been among those most persistently reactionary since late last May. One reason is technical, since the group previously had experienced a much above-average rise. Another, perhaps more influential, has been inflation sentiment. With their rates fixed, obviously utilities would be squeezed in the event of a severe price-wage inflation. It is remembered that the stocks fared much worse than industrials in the market's inflation rise of 1919. But it so happens (and few people know this) that it was a psychological "mistake." That is, it was not warranted by actual results in earnings and dividends. On an average, as compared with 1918, utilities yielded better earnings and dividends in 1919 and 1920 than did industrials. They had the advantage of continuous large growth in gross revenue. Over the next year or two total revenue will not rise at the 1919-1920 rate, but the residential load (most profitable classification) will attain new highs by a wide margin, as the big demand for home appliances is filled. Price inflation is unlikely to be as extreme as in 1919-1920. Labor costs over the past 15 years have ranged between 14.6% and 18.9% of gross; maintenance costs between 4.8% and 6.3% of gross; fuel costs between 5.9% and 13.7% of gross. Wages have already risen sharply, but in ratio to gross are about at the prewar average. Federal taxes — a decisive consideration—are sharply lower. The power industry seems assured of earning at least 15% more this year than last. This column would not be surprised if stability of earnings and dividends, at a good level, is the rule in 1947. Certainly the dividends of the leading companies, many yielding 4% or more, appear as secure as any common stock return can be for the foreseeable future. None of this is a prediction that these stocks will do well if inflation fears continue to grow. Probably "tradition" will hold them down. What we have said here is aimed at reassuring genuine investors who are concerned with income return and long-term capital safety.

Conservative

A good way to approach selection of safe-income stocks and to time buying is on a yield basis. The well-managed First National Stores is probably the soundest equity investment in the relatively stable chain-grocery-store field. It operates largely in New England, where canny people have always thought economical chain stores were a good thing. The dividend has never been cut, even under worst depression conditions. It is a secure $2.50 annual rate, amply covered by earning power for the foreseeable future. The stock's range this year to date has been 70½-54½, and it has now slipped down to about 58. At the high the yield was only 3.5%. Now it is 4.3%. Given a sharp enough general-market reaction, it might approach, or even somewhat exceed, 5%. We conclude that this good-grade stock, already yielding about 70% more than top-grade bonds, has now entered a price zone attractive for scale-down investment buying.

Standard Oil

Any degree of reaction in Standard Oil (New Jersey), even moderate, makes this stock an all the more inviting buy for longer-term speculative-investment, in this column's eyes. It is the King of the oils, fabulously rich in crude reserves, strategically-located refining facilities, far-flung distributing outlets, and working capital. The latter, according to the latest balance sheet, was approximately $780 million, whereof $615 million was cash or equivalent. Book value is over $59 a share. This company controls, among others, the rich Humble Oil and the fast-growing and very profitable Creole Petroleum. In common with the industry, sales are bound to reach new all-time peaks over the next several years as normal usage of motor vehicles is restored. This will not be a cyclical matter but a permanently raised plateau of demand. Hence, the stock is entitled to rate as a growth issue. Yet it is currently priced at not much over 12 times estimated 1946 earnings of around $6 a share, yielding nearly 4% on the indicated $3 dividend. The writer can see no reason why earnings should not rise to at least $8 a share next year, with a further boost in dividends. Finally, with a relatively low labor-cost factor and huge crude reserves (subject to long-term increase in value)

(*Please turn to page* 543)

Declines Shown in Recent Earnings Reports

		Latest Period	Year Ago
Bridgeport Brass	6 mos. June 30	$ .44	$ .97
Climax Molybdenum	6 mos. June 30	.45	1.96
Copperweld Steel	6 mos. June 30	.02	.84
Eaton Mfg.	6 mos. June 30	1.04	2.76
Ex-Cell-O	6 mos. May 31	1.40	2.54
Howe Sound	6 mos. June 30	.82	.94
Martin-Parry	May 31 quar.	.04	.25
Monarch Machine Tool	6 mos. June 30	1.35	1.51
Plymouth Oil	6 mos. June 30	.75	.96
Texas-Pacific Coal & Oil	6 mos. June 30	.85	1.00

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

$15,000 Investment in Marshall Field Grew to About $50,000 in Little Over Two Years

I have been a subscriber to your paper for many years, and I have never asked for your opinion on stocks before. Over two years ago I bought 1,000 shares of Marshall Field common stock at an average price of approximately $15 a share. I am still holding the stock. A few months ago the stock was quoted at about 57. Today, in spite of increased earnings and dividend, it is quoted at 46 and a fraction. Would you advise my holding the shares for a comeback, and can you inform me why it should be selling so low? Any information regarding this stock will be appreciated.

D.M., Minneapolis, Minn.

Marshall Field common stock declined recently in line with the general market, and particularly merchandising issues, as it was believed that the peak in earnings of department stores would be reached this year, or next; and as more merchandise becomes available, there will be a return to narrower margins of profit induced by stiffening competition, resumption of clearance sales, mark-downs, more delivery and other service costs, including higher wages. Thus the large increased sales and high profits are a temporary situation.

However, as we are of the opinion that Marshall Field common stock will recover close to its 1946 high in the near future, we recommend temporary retention of your large holdings of this stock, and when the market reaches 57 again, we recommend accepting the profit.

While we do not know what proportion of your capital this investment represents, an important consideration is not to have more than 10 per cent of one's capital in any one issue no matter how meritorious, as diversification of risk is a sound policy.

Consolidated Vultee

Please advise peacetime outlook for Consolidated Vultee Aircraft Corporation and recent earnings.

O.C., Albany, N. Y.

Consolidated Vultee Aircraft Corp. reported for fiscal year ended November 30, 1945 revised net income of $6,758,932, equal to $4.72 a common share, after provision for preferred dividend requirements.

Sales for the 1945 fiscal year, including contract termination claims, amounted to $644,053,838. The net income for the previous year was $12,424,313 or $8.80 per common share on sales of $960,016,945.

Unfilled orders on April 30, last, amounted to $264,910,000 exclusive of products not related to aviation.

The corporation is diversifying its business through manufacture of gas and electric kitchen ranges, farm equipment, frozen food units and motor buses. Recent acquisition of controlling interest in ACF-Brill Motors Co., for $7,500,000, will add the manufacture of transit equipment and bus components to the output.

Long range outlook for the corporation appears favorable.

American Type Founders Now A.T.F. Corp.

Please advise late earnings and outlook for American Type Founders.

G.M., Austin, Texas.

American Type Founders engages in the manufacture and distribution of supplies for the printing trade, including presses, machinery and type. Company is the leader in this field. Also has diversified its business by acquisition in 1945 of a firm that makes metal and plastic kitchen and dinette furniture and subsidiary produces plywood from southern hardwoods. Company has also developed a heating unit for metal treatment.

Capitalization consists solely of 568,101 shares of $10 par common stock outstanding.

Consolidated sales for year ended March 31, 1946 amounted to $31,115,902 and net profit of $932,096, equal to $1.64 per share compared with previous year's sales of $48,222,255 and net profit of $857,630, equal to $1.51 per share. Financial condition is satisfactory. 50 cents in dividends were paid in 1945 and the same amount so far in 1946.

The common stock has speculative attraction on prospects of high level operations for an extended period, with attendant good earnings.

Stockholders have recently approved change in name of company to A.T.F. Corp., to reflect diversification of products.

Keeping Abreast of Industrial and Company News

Re-establishment of OPA as industry unlimbers for the second half year naturally tends to obscure potentials for volume and earnings to some extent. But chances are that operations in any event will be less hampered by Federal pricing restrictions, for some obvious lessons have been learned during the first half.

According to R.M.Wason, president of National Association of Manufacturers, 100 million wasted man-days due to strikes since VJ Day have forced the basic industries far behind schedule in the first six months, ranging from 21% lapse for coal up to 73% for Automobiles. Attributable in the main, he holds, was refusal by OPA to grant price raises, to offset wage boosts.

Many encouraging factors combine to point to a rising tide of production so essential to prosperity in the half year ahead. Reinstatement of OPA, for instance, in the opinion of Iron Age Magazine, will tend to release much needed amounts of steel scrap recently held for higher prices. As the Steel industry last week shoved ingot production up to a postwar peak of 90.5 per cent of capacity, this scrap is urgently required.

While strikes in supplier plants have brought dismal results for the automotive industry to date in 1946, they have now nearly vanished. Meanwhile, deferred demand has piled up. Jack R. Davis, vice president of Packard Motor Co., declares the industry can sell all the cars it can produce during the next twelve months and refutes claims that the sellers market will be short lived.

Plans of the newest competitor in the automotive field, Tucker Corporation, have been unfolded by its president, Preston Thomas Tucker. An ultra-modern rear engine car will be produced in the huge Government-owned former war plant of Chryler in Chicago. William J. O'Neil, former president of the Dodge division using this plant, has joined the company as executive consultant. Annual production schedules envisage 500,000 cars.

William R. Robbins, president of General Foods Sales Co., announces arrival of a new product with interesting potentials, Instant Sanka. This decaffeinated item is the result of long research which since 1925 has lowered production costs enough to reduce retail prices of its predecessor by 62%.

Mergers appear to become increasingly the rule of the day. Latest is to be a consolidation of Kauffman Department Stores with May Department Stores Co., according to announcements by their respective presidents, Edgar J. Kauffman and Morton J. May. Combined sales of the two concerns in 1945 were about $246 million. An exchange of shares will bring about the merger.

F.L.Jacobs Company is filled with optimism over potentials for its new automatic laundry, to be called Launderall. By the end of the current year, production of 50,000 of these utilities will hopefully have been achieved, with sights raised to 240,000 in 1947. An automatic dishwasher and a garbage disposal unit also are in the works.

Rapid development of petroleum chemistry and application of the open license system will encourage competition in the oil industry to develop new processes, according to H.R.Austin, president of The M.W.Kellog Co. The American people are certain to receive better quality, reasonably priced oil products, he claims, in the near future.

Hopes of more than a thousand American exporters holding defaulted Latin-American bonds since 1929, are raised a bit by Argentina's move to finally make some adjustments. Brazil, Colombia and Uraguay have already compromised their foreign debts and others may slowly follow suit. But despite unprecedented financial strength, most of these countries are reluctant to spend their money for debt payments.

The Department of Commerce recently announced a significant major uptrend in demand for baby foods. To exploit these rapidly growing markets, Swift & Co. have announced a new line of meats prepared especially for infants and young children, following two years of extensive research. The new foods will carry the approving seal of the American Medical Society's Council on Foods and Nutrition.

Pleas by the International Harvester Co. to the Civilian Production Administration to alter its recent order diverting 14,500 American tractors to countries dominated by Russia have fallen upon deaf ears. Claim by the manufacturer was quotas to France and other foreign countries would have to be correspondingly cut. But CPA insists that the State and Agriculture Departments are in accord with them.

Manufacturers of automobiles, refrigerators and household appliances are expressing equal concern because CPA seems likely to restrict exports of their products to foreign nations in order to promote wider sales at home in the fight against inflation. Expediency seems to be the determinant factor, with CPA well in the saddle.

According to the monthly bulletin of the Federal Reserve Bank, 1946 full year earnings will compare much more favorably with 1945 than was the case for the first quarter earnings. This is a safe bet, although to date wide divergence in earning power among different industries and their components has been clear.

Last minute receipt of earnings reports for the second quarter fully confirm our predictions made elsewhere in the Magazine in our initial series of Dividend Forecasts. For example, six months net income of Shell Union Oil came to $1.12 per share against $1.25 for the relative period in 1945. But the current trend is upward.

The same circumstances apply to Phillips Petroleum, reporting a net per share of $1.63 for the first half compared with a relative $2.96 in 1945, of which about 76 cents per share came from profit on sale of equipment last year. And like Shell, prospects for making up the deficiency in the second half are above average good.

As for the food processors and distributors, shortage of corn held net of Corn Products Refining Co. to 14 cents a share in the first half 1946, against $1.24 in the relative 1945 period. Quite the reverse was the experience of Continental Baking Co., which with smooth sailing reported net of $1.85 per share for twenty six weeks against only 28 cents in the 1945 similar period.

Production difficulties for the paint industry are seriously heightened by shortage of white lead. In the face of mounting demand for paints, the supply is steadily shrinking. Some observers predict that for several years to come lead will continue to be inadequate.

The BUSINESS ANALYST

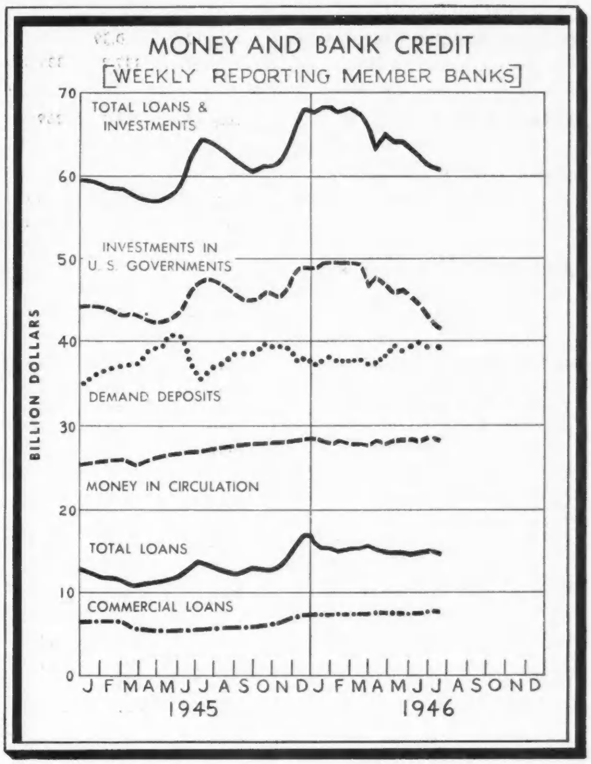
SUMMARY

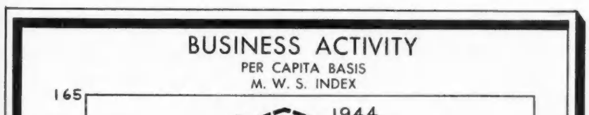
MONEY AND CREDIT—Reversing a recently announced tentative policy, the Treasury has decided to continue its debt retirement program by redeeming in cash on Aug. 1 an additional $1.25 billion of maturing certificates. This will make a total debt reduction of $13.4 billion since Mar. 1. New money raised in April through sale of corporate securities amounted to $213 million—largest since 1932. Moderate advance in short term interest rates should occasion more rejoicing than worry.

TRADE—Expansion in department store sales for fortnight ended July 13 was somewhat less than the cumulative increase over last year for the current year to date. Our commercial exports in May were the largest since 1921. Recent up-valuations of Canadian and Swedish currencies is merely symptomatic of the world-wide hunger for American goods.

INDUSTRY—Business activity expanded at more leisurely rate in fortnight ended July 13; but is now only fractionally lower than a year ago.

COMMODITIES—In first three weeks of release from OPA control wholesale price average rose 7.3% and M. W. S. index of raw materials spot prices 14.7%. Cotton reached 23-year high. Bumper crops may ease grain prices. Metals Reserve Co. sets prices for copper, lead, zinc.





Having risen to a level almost equal to that of a year ago, it is only natural to find that additional expansion in **Business Activity** during the fortnight ended July 13 was only fractional. **Income Payments** to individuals in May, including the non-recurrent item of retroactive wage awards to railroad workers, were only 2% below the record month of February, 1945.

* * *

Owing partly to the long week-end holidays and partly to advertised reassurances by responsible merchants that OPA prices would be maintained, **Department Store Sales** in the fortnight ended July 13 were only 25% ahead of the like period last year, compared with a cumulative increase of 28% for the year to date.

* * *

The SEC estimates that **Liquid Savings** by individuals and unincorporated business concerns during the first quarter amounted to only $2.9 billion, against $8.7 billion in the final quarter of 1945. This is merely the natural consequence of reduced deficit spending by the Federal Government, and should not be construed as indicating that the public is cashing past savings to finance its spending spree. As a matter of fact, **Life Insurance Sales** in June, for example, were 53% above the like month last year, against a six-months' increase of only 47%.

* * *

I. C. C. economists estimate unofficially that Class I **Railroads** will have a net income of $189 million this year, after taxes and charges—about the same as for

(Please turn to folowing page)

Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
MILITARY EXPENDITURE (tf) $b	July 17	0.39	0.25	1.67	0.43
Cumulative from Mid-1940	July 17	339.9	339.5	294.3	14.3
FEDERAL GROSS DEBT—$b	July 17	268.3	269.4	261.8	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	July 17	39.2	39.1	36.9	24.3
Currency in Circulation	July 17	28.2	28.3	26.9	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	July 17	7.32	7.31	7.10	3.92
100 Other Cities—$b	July 17	8.33	8.14	8.35	5.57
INCOME PAYMENTS—$b (cd)	May	12.74	12.96	12.84	8.11
Salaries & Wages (cd)	May	8.61	8.54	9.52	5.56
Interest & Dividends (cd)	May	0.56	0.89	0.50	0.55
Farm Marketing Income (ag)	May	1.55	1.42	1.45	1.21
Includ'g Govt. Payments (ag)	May	1.66	1.57	1.52	1.28
CIVILIAN EMPLOYMENT (cb) m	June	56.7	55.3	53.5	52.6
Agricultural Employment (cb)	June	10.0	8.9	9.8	8.9
Employees, Manufacturing (lb)	June	12.8	12.7	14.5	13.8
Employees, Government (lb)	June	5.5	5.5	6.0	4.6
UNEMPLOYMENT (cb) m	June	2.6	2.3	1.0	3.4
FACTORY EMPLOYMENT (lb4)	June	138	137	157	147
Durable Goods	June	156	155	204	175
Non-Durable Goods	June	124	123	119	123
FACTORY PAYROLLS (lb)4	May	246	248	319	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Apr.	40.6	40.8	45.1	40.3
Hourly Wage (cents)	Apr.	105.8	103.4	104.4	78.1
Weekly Wage ($)	Apr.	42.92	42.16	47.12	31.79
PRICES—Wholesale (lb2)	July 13	120.7	117.2	105.6	92.2
Retail (cdlb)	May	145.6	144.8	141.0	116.2
COST OF LIVING (lb3)	May	131.5	130.9	128.1	110.2
Food	May	142.6	141.7	138.8	113.1
Clothing	May	155.4	154.3	144.6	113.8
Rent	May	108.4	108.4	108.3	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	May	7.85	7.71	6.15	4.72
Durable Goods	May	1.56	1.43	0.94	1.14
Non-Durable Goods	May	6.29	6.28	5.21	3.58
Dep't Store Sales (mrb)	May	0.70	0.69	0.50	0.40
Retail Sales Credit, End Mo. (rb2)	May	3.18	3.10	2.21	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	May	205	200	186	181
Durable Goods	May	218	214	177	221
Non-Durable Goods	May	198	192	192	157
Shipment (cd2)—Total	May	206	206	269	183
Durable Goods	May	209	204	361	220
Non-Durable Goods	May	204	208	206	155
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	May	28.5	28.1	26.7	26.7
Manufacturers'	May	17.0	16.8	16.2	15.2
Wholesalers'	May	4.4	4.4	3.9	4.6
Retailers'	May	7.1	6.9	6.6	7.2
Dept. Store Stocks (mrb)	May	1.6	1.5	1.4	1.4

PRESENT POSITION AND OUTLOOK

(Continued from page 533)

1940. The estimate, however, does not allow for loss carry-backs. More cheering is the Commerce Department's estimate that cash **Dividends** paid to stockholders in American corporations during the three months ended May 31 were 6.2% ahead of the like period last year.

* * *

Settlement of the five-month strike at Phelps Dodge mines and smelters has ended, for the time being at least, the last of the big labor tie-ups in the **Copper** industry. In the absence of OPA ceilings, the Government-owned Metals Reserve Co. has taken over control of copper, lead and zinc pricing through its authority to set prices at which imported metals can be sold to domestic consumers.

* * *

Up to present writing, the price for refined copper has been held at the late OPA price of 14 3/8 cents; while lead and zinc, at 9½ cents, are a trifle higher. But current metal prices do not suffice to compensate the highest-cost marginal producers for the loss of Government subsidies. Consequently several small iron and zinc mines in the middle West have already closed down.

* * *

Uncertainties over future price trends and the fate of OPA are speeding the use of **Escalator Clauses** in industrial sales contracts. Purchasing agents complain about the resulting confusion.

* * *

The Civilian Production Administration (C. P. A.) is preparing to restrict sales of scarce material for export and to tighten its control over speculative **Inventory Hoarding** "If effective price controls are not restored." The object is to prevent withholding of goods from market in hopes of higher prices.

* * *

Strict prevention of inventory hoarding would not only prove to be a more effective method than price ceilings for preventing a run-away inflation; but would also tend to **Eliminate Business Cycles** of the boom and bust variety. It is desirable that effective inventory control be established, with or without revival of the O. P. A.

* * *

Recent up-valuations of about 10% in the Canadian dollar and 14% in the Swedish krona have directed attention to the difficulties with which world trade is confronted in consequence of **International Price Disparities.** War-bred shortages have caused spectacular price advances in many foreign countries during the

Production and Transportation

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—l—pc	July 13	156.7	157.2	159.2	141.8
(M. W. S.)—l—np	July 13	170.8	171.3	171.5	146.5
INDUSTRIAL PROD. (rb)—l—np	May	160	165	225	174
Mining	May	116	104	138	133
Durable Goods, Mfr.	May	176	191	323	215
Non-Durable Goods, Mfr.	May	161	163	173	141
CARLOADINGS—t—Total	July 13	895	680	884	833
Manufactures & Miscellaneous	July 13	370	304	389	379
Mdse. L. C. L.	July 13	121	108	104	156
Grain	July 13	59	46	66	43
ELEC. POWER Output (Kw.H.)m	July 13	4,156	3,741	4,295	3,267
SOFT COAL, Prod. (st) m	July 13	12.7	6.6	11.9	10.8
Cumulative from Jan. 1	July 13	254	242	317	446
Stocks, End Mo.	May	31.6	38.7	44.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	July 13	4.9	4.9	4.9	4.1
Gasoline Stocks	July 13	91	92	85	88
Fuel Oil Stocks	July 13	48	48	42	94
Heating Oil Stocks	July 13	42	40	35	55
LUMBER, Prod. (bd. ft.) m	July 13	350	161	472	632
Stocks, End. Mo. (bd. ft.) b	May	3.5	3.4	3.6	12.6
STEEL INGOT PROD. (st.) m	June	5.66	4.07	6.84	6.96
Cumulative from Jan. 1	June	27.4	21.7	43.1	74.7
ENGINEERING CONSTRUCTION AWARDS (en) $m	July 18	130	151	50	94
Cumulative from Jan. 1	July 18	3,037	2,896	1,006	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	July 13	128	181	151	165
U. S. Newsprint, Consumption (st)t	June	365	368	272	352
Do., Stocks, End Mo.	June	347	363	427	523
Whiskey, Production (tax gals.)m	May	8.1	12.6	0	11.8
Do., Domestic Sales	May	5.0	5.2	4.3	8.1
Do., Stocks, End Mo.	May	372	370	314	505

PRESENT POSITION AND OUTLOOK

seven years from 1939 to 1946—ranging from 400% in Iraq down to 70% in Sweden.

* * *

A greater supply of goods is needed to bring prices down. Many countries lack the equipment and raw material to expand their own production. The only alternative is to import, and the only country which has the productive capacity to supply goods in quantity is the United States. To facilitate imports, most countries with a price level higher than in the U. S. have refused to permit their currencies to reflect more than a minor depreciation in proportion to the advance in domestic prices.

* * *

There is no cause for business interests in the U. S. to worry about this. Economic world conditions are just the reverse now from what they were in the late '20s when over-production and top-heavy **Inventories** prompted competitive devaluation of currencies in an effort to stimulate exports.

* * *

Neither is there any cause for worry in recent moderate advances in short-term **Interest Rates.** Business and the stock market prospered for several years in the late '20s on 6% call money and 4% commercial paper rates. It was not until 1929, when call money shot up to 20% and commercial paper rates rose to 6%, that trouble developed.

ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't. Avge. Month 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. l—Seasonably adjusted Index. 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Streeet, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment and Charge accounts. st—Short tons. t—Thousands tf—Treasury and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

No. of Issues (1925 Cl.—100)	1946 Indexes High	Low	July 13	July 20
300 COMBINED AVERAGE	191.7	164.5	178.2	173.8
4 Agricultural Implements	265.7	204.9	242.0	234.6
11 Aircraft (1927 Cl.—100)	284.4	229.7	229.7	231.5
6 Air Lines(1934 Cl.—100)	1208.6	935.8	947.8	935.8a
5 Amusements	218.6	143.7	188.1	182.4
15 Automobile Accessories	336.2	272.6	286.0	272.6a
11 Automobiles	62.2	53.4	54.5	53.4a
3 Baking (1926 Cl.—100)	26.0	21.1	25.3	25.9
3 Business Machines	360.3	286.1	342.8	334.8
2 Bus Lines (1926 Cl.—100)	229.9	176.3	207.4	205.0
4 Chemicals	290.2	238.3	274.8	266.6
2 Coal Mining	32.4	25.0	25.5	25.0a
4 Communication	99.7	75.0	77.4	75.0a
13 Construction	85.1	67.9	77.1	75.0
7 Containers	462.6	384.8	422.7	410.2
8 Copper & Brass	141.8	108.7	126.2	123.8
2 Dairy Products	81.5	64.6	77.6	75.2
5 Department Stores	132.9	89.7	108.1	103.7
5 Drugs & Toilet Articles	277.4	194.8	249.8	249.0
2 Finance Companies	313.9	268.9	296.2	293.2
7 Food Brands	236.4	205.5	228.4	224.4
2 Food Stores	100.3	73.8	91.6	89.1
3 Furniture	125.8	105.2	112.3	110.1
3 Gold Mining	1346.1	1009.5	1028.5	1009.5a

(Nov. 14, 1936, Cl.—100)	High	Low	July 13	July 20
100 HIGH PRICED STOCKS	112.55	97.62	106.66	103.96
100 LOW PRICED STOCKS	247.97	202.59	224.44	218.05
6 Investment Trusts	84.1	70.0	75.9	73.8
3 Liquor (1927 Cl.—100)	1454.6	1000.2	1454.6Z	1390.6
8 Machinery	206.4	181.6	191.3	184.2
3 Mail Order	206.3	140.3	173.0	156.2
3 Meat Packing	132.7	111.4	132.7Z	125.2
13 Metals, non-Ferrous	299.7	232.1	245.0	241.6
3 Paper	44.0	32.7	42.0	40.9
23 Petroleum	227.0	175.1	220.6	217.8
20 Public Utilities	165.5	131.2	150.5	147.2
5 Radio (1927 Cl.—100)	42.0	30.7	31.1	30.7a
8 Railroad Equipment	110.6	94.8	96.8	94.8
22 Railroads	40.8	33.9	35.2	33.9a
3 Realty	56.7	36.3	45.9	38.8
2 Shipbuilding	178.8	122.5	152.1	155.6
3 Soft Drinks	647.0	567.9	587.3	584.4
12 Steel & Iron	149.3	119.1	144.6	141.7
3 Sugar	88.9	75.7	82.1	79.3
2 Sulphur	295.3	241.7	283.4	269.0
3 Textiles	189.7	126.7	165.5	165.3
3 Tires & Rubber	51.9	42.5	46.1	46.2
5 Tobacco	99.6	86.8	93.1	91.9
2 Variety Stores	399.3	318.5	365.6	351.9
18 Unclass. (1945 Cl.—100)	116.1	98.2	108.4	105.5

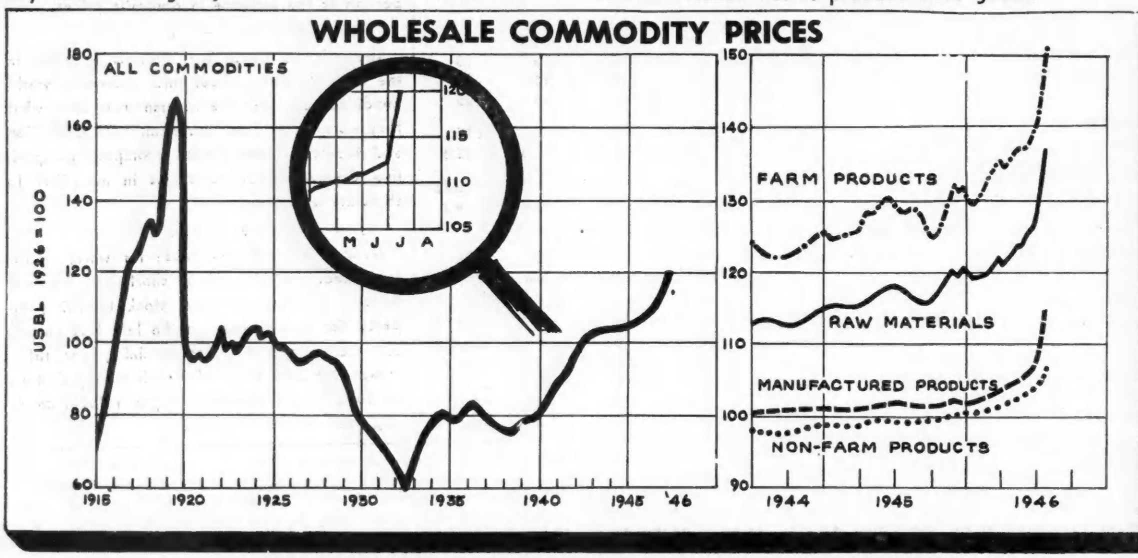
Z—New all?time HIGH. a—LOWEST since 1945.

Trend of Commodities

The commodity futures markets witnessed wide price fluctuations in the past two weeks as they tried to adjust themselves to the free workings of supply and demand. There was no trading in rye or wheat futures at Chicago and cottonseed oil trading was halted after several days of limit advances. Exchange officials were still afraid of a roll-back in prices if the OPA was extended. The general trend throughout the period was upward. The Dow-Jones index was 118.13 the day before ceilings were removed and the high point about three weeks later was 125.39. Two commodities were responsible for the rise, cotton and cocoa. Speculators took cotton in hand and moved it up the limit of 100 points several days in a row. Cocoa futures were just adjusting themselves to a higher spot price. The action of rye futures in Winnipeg was outstanding with prices sustaining a loss of some 65c a bushel. It appears likely that the high reached on the Dow-Jones index in this move will mark the peak of the World War II inflation market.

By the second week of July the B.L.S. index of wholesale prices had reached 120.7, an advance of 8 points in two weeks. At this level it was 14.3% above a year ago. The advance in the various subgroups was far from uniform. Foods were up 26.2% and farm products were up 20%. Chemicals, on the other hand, were up only 3.4%. This index has not reached its peak and a slow but steady rise is likely for a few more months.

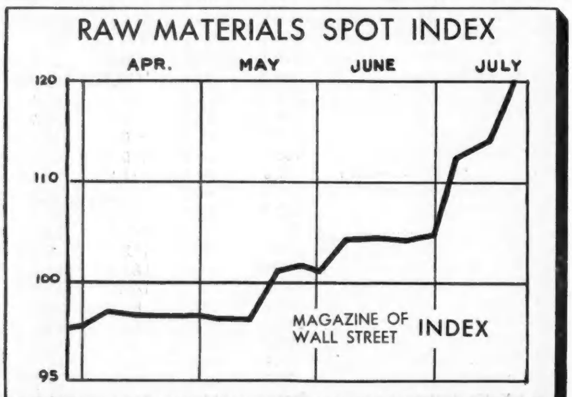
The Administration has not taken any steps to halt inflation. It insists that a strong OPA is necessary to hold the line. Prices set at artificially low levels simply lead to black market operations. Higher interest rates is a very encouraging sign and may indicate the end of the era of cheap money and deficit financing. President Green of the A. F. of L. rang the bell when he said that the only way to halt inflation was to produce more goods.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equal 100

	Date July 20	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	248.3	221.5	198.1	190.3	187.4	183.5	156.9
11 Import Commodities	230.6	188.7	171.9	170.7	168.9	168.9	157.5
17 Domestic Commodities	260.5	245.7	217.1	204.3	200.4	193.6	156.6

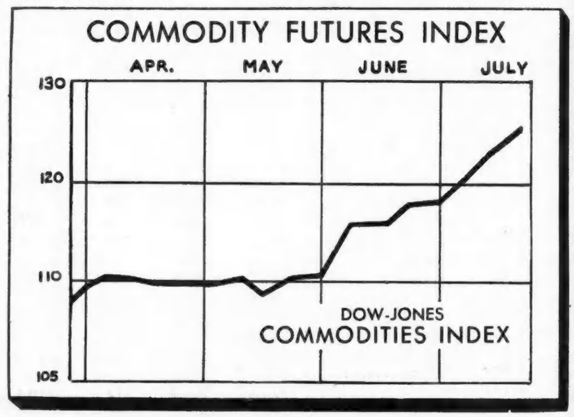
	Date July 20	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
7 Domestic Agricultural	309.2	289.1	255.1	240.3	234.5	226.5	163.9
12 Foodstuffs	301.8	282.4	227.2	216.7	213.6	208.7	169.2
16 Raw Industrials	214.4	184.4	178.5	172.5	169.7	166.5	148.2



14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1946	1945	1944	1943	1941	1939	1938	1937
High	120.2	95.8	94.5	92.9	85.7	78.3	65.8	93.8
Low	95.5	93.6	91.8	89.3	74.3	61.6	57.5	64.7



Average 1924-26 equals 100

	1946	1945	1944	1943	1941	1939	1938	1937
High	125.39	106.41	98.13	96.57	84.60	64.67	54.95	82.44
Low	104.21	93.90	92.44	88.45	55.45	46.59	45.03	52.03

COMMODITY HIGHLIGHTS

COTTON . . . King Cotton took the spotlight in the past fortnight when prices reached the highest level in 23 years. At this level cotton was up some 700% since the early days of the New Deal. Cotton prices have been advancing slowly but steadily throughout the war period due mainly to Government support prices and a rise in parity. It took three years for cotton to advance from 20c to 25c and less than three weeks to advance from 31c to 36c. The earlier advance was justified, this last advance was not.

The end of OPA gave the speculators their cue and with lower margins in effect they bought heavily. Several factors were in their favor. This is the tail end of the cotton season and ginning is at a minimum. Cloth mills had been selling from hand to mouth under OPA. When OPA ended and cloth prices were advanced around 20 to 25%, mills sold freely. Many of them sold three months' output. The mills fixed the price on this cotton by buying in the futures market and this concentrated buying forced the market upward.

The Government acreage report of July 10 added fuel to the fire. The estimate was several million acres below the private estimates and the market had not yet adjusted itself. Although the acreage was slightly larger than last year, it was nevertheless one of the smallest acreages in history. Furthermore the weather so far this season has not been favorable. Weevil damage is reported to be very heavy this year. It is possible that the crop will be only slightly above our domestic requirements.

Passage of the loan to Britain adds one more nation to the list of those seeking American cotton. Exports for the 1945-46 season will be above 3 million bales, thanks to the Government policy of supplying foreign countries with the necessary funds. The huge Government stocks built up during the early war years have been liquidated and foreign buyers must compete in our free domestic market. The foreigners unfortunately are on top—for in addition to using our money, exports to them are subsidized to the tune of 4c per pound.

Regardless of the favorable factors, current prices are not justified and cannot be maintained for any length of time. Even the speculators realize this, for the more distant contracts are selling at a discount of 3c a pound.

The world carryover of all cotton on August 1, 1946 is estimated to be around 23½ million bales. This is a reduction of some 3½ million bales from last year. The reduction is all in American cotton, since the carryover of foreign cotton is estimated at 15.8 million bales in both years. World consumption has shown some improvement, but the total is only slightly above 24 million bales. Thus we are starting off the new crop season with a full year's supply on hand. Furthermore current indications point to a slightly larger world production this year than last.

The cotton farmer can no longer overlook the competitive position of rayon. Not so long ago cotton was priced far below rayon—now it is priced some 40% higher. Rayon has already replaced cotton to the extent of some 1½ million bales and we may expect a more rapid replacement from here on. Cotton prices are already far above competing prices of burlap and paper. The two most important pre-war uses of cotton were in tires and in bags. At current levels cotton will be priced out of both markets within a short time.

MEAT . . . It only required three weeks of uncontrolled meat prices to bring surpluses in retail markets, where only scarcities had been reported before. It is true that prices were higher than OPA ceilings, but it is much better to have plenty of meat at a free price of 50c a pound than to have no meat at OPA price of 45c a pound. Furthermore, the new prices were far below the old black market quotations.

There was a rush of buying at first by those who formerly had patronized the black market. This carried cattle prices at Chicago to a new all-time high of $26.35 per cwt. and hogs to a new season high of $22.00. These prices attracted record supplies to primary markets and within a few days they had unsold carryovers of as much as 5,000 head at the end of the day. Armour & Co. at Chicago butchered 6,000 cattle the third week in July against a weekly average of 100 in June. Wilson & Co. reported its week's kill at 5,000 compared with a June total of 122.

OPA or no OPA, the meat famine is over and a lower price trend is likely. Poultry will be especially hard hit. Cold storage holdings on July 1 totaled 174 million pounds, compared with 97 million a year ago and a five-year average of only 84 million. The return of cattle slaughter to normal channels means more tallow and hides available very shortly.

Individual Achievement Under Free Enterprise

(Continued from page 526)

long expounded the doctrine that liberty of action and personal initiative which a free society encourages are priceless assets, but are blessings which too many of us take for granted. Under our form of government, a man is free to choose whatever career he wishes, and to move freely from one occupation to another. He is unfettered by caste, class, or traditions such as prevail in other lands. "Harry"—as he is known to top business and government leaders throughout the country — has had a varied career himself, starting out as a financial journalist, then traveling throughout a good part of the world as roving reporter and business observer. Later he entered the business world, rising to executive positions. But the overall experience he'd acquired gave him a broadening viewpoint, and he eventually branched out into business consulting work under his own banner in 1925.

From his headquarters office in New York City he shuttles up and down the length and breadth of the land and abroad, traveling thousands of miles a year. He is constantly on the watch for new business trends, new products, new markets, techniques and developments for his clientele. "That's the thing about this country which so many of us fail to realize," he says. "It's still the land of opportunity in every way, if we'd only stop to realize it. People are still making new fortunes in this land every year, but they're the ones who are smart enough to keep their eyes open and their ears to the ground for new opportunities."

That statement rather fittingly sums up Harry's business philosophy, and it's the theme that he inserts between the lines in his talks to executive groups and business training panels. It sounds like a good counsel for all of us to ponder, and to apply to our own profit.

Special Purpose Accident Policies

(Continued from page 525)

ment was made that a doctor recently died in Savannah. That simple announcement revealed a most dramatic story. This doctor was one of the outstanding physicians in Savannah, and one day while compounding some bichloride of mercury solution the box of powdered bichloride accidently tipped and spilled into his face and eyes, blinding him instantly.

Good Investment

The finest eye specialists were consulted without result. Naturally the doctor was frantic, since he could not practice medicine. In addition, he had visions of his home being sold, his wife forced to go to work, as well as his children, who would have to forego their education. But fortunately for the doctor his agent called and advised him that the special accident policy he carried, carried provisions which in case of total and permanent disability would pay either $43,000 in a lump sum or $150 weekly as long as he lived. The doctor wisely chose the weekly indemnity which paid him a total of $119,837.10. This helped keep him and his family in comfort for over 15 years. More important than the money was the change in mental attitude in the doctor. He expressed it, "I dare say no person on earth has ever been so relieved; no person was ever taken from such depths of despair and brought back to the levels of sanity as I was." Here is a thrilling example of what life and accident insurance can do to preserve the happiness, the mode of life and the peace of mind of its beneficiaries. While this illustration refers to a man in professional life, many accidents of varying kind occur each day, while at home, business and pursuit of recreation and other normal every day activities. These accidents in numbers of cases are just as disabling and costly as the case previously cited.

The modern miracle of Special Purpose Accident Insurance protection is available to practically all classes of our citizens and provides complete personal protection. As usual questions are invited.

Tobaccos Enter a New Phase

(Continued from page 518)

nor can their effectiveness be predicted, net earnings prospects for individual concerns are correspondingly obscured.

Outlook for the makers of cigars, while favorable for the more strongly established concerns as long as public purchasing power remains high, has less promising potentials in scanning the longer term. Apparently demand for cigars has not created any consistent uptrend as in the case of cigarettes. To the contrary, consumption of cigars in 1942 amounted to only about six billion compared with eight billion way back in 1920, and with the advent of war, production fell off decidedly. That volume will rebound in the current year is not to be denied, but gains in the longer run are not likely to be impressive, indeed may prove ephemeral. Currently, widespread local competition and rising labor costs add to the handicaps of expensive raw leaf, especially for the makers of low-priced cigars. Wider profit margins in the higher priced fields brought good profits to many makers of these items in war years, but from now on a trend towards cheaper cigars is likely to set in. Due to mass production methods, the two leading cigar makers in the low-priced brackets, Bayuk Cigars with its well known Phillies and General Cigars with the White Owl brand, appear likely to prosper through satisfactory volume and good cost controls. Tobacco retailers all over the country have had a good experience in pushing these two brands, with every indication that competitive brands will find the going hard to achieve large scale sales.

Some diversification of output

is afforded tobacco processors through production of manufactured tobacco, although records show that demand for these specialties has steadily declined for years past in the face of competition from cigarettes. It seems to be only during periods of depression that smokers tend to buy manufactured tobaccos on an increasing scale, the price factor being a major consideration. Hence the outlook for expanding profits from sales of these items, while currently encouraging, is not overly promising. As for manufacturers of snuff, this exceptionally stable segment of the tobacco industry can look forward to profitable operations as usual, but with dim prospects of achieving any marked growth.

To sum up, manufacturers of cigarettes appear headed for a period which will be featured by encouraging sales and expanding profits, at least compared with war time earnings. But holders of shares in this industry must bear in mind that as long as outstanding loans remain near peak levels, regular dividend rates are not likely to be raised in line with earnings gains. In other words conservative policies will probably tend to reduce debts rather than to favor stockholders for some time to come. But this fact cannot be broadly applied to all concerns, of course; exceptions may become evident in due course. More than likely, however, liberal treatment of shareholders will be expressed by declaration of extra dividends to supplement easily sustained regular payments.

Helping the Small Businessman

(*Continued from page* 527)
postage. If the percentage of orders coming in proves satisfactory, indefinite expansion can follow through reinvestment of profits, or if disappointing the lesson learned will not be too costly.

Main essentials are a product of real quality for the price asked and a conservative but appealing description, expertly printed.

Interesting Circulars

FOR OUR READERS

☆ ☆ ☆

On request on **your letterhead, but** without obligation, any of the circulars listed below will be sent direct from the issuing firm. **Limit each letter to a request for one circular,** giving your name and address.

ADDRESS: Booklet Department — Magazine of Wall Street, 90 Broad Street, New York 4, N. Y.

For Business Executives: A valuable 20 page booklet on business management will be sent free when requested on your Company's letterhead.

Primer for Investors—Guide book for new investors to explain the terminology of Wall Street. Also a section devoted to estates, trusts and wills. Prepared by large N.Y.S.E. member firm.

Know-As-You-Go Guide—Descriptive leaflet of the Handy Record Book for investors, providing a simplified record of capital gains and losses. Method outlined to keep investment records in "automatic" order.

Eleven Ways to Use Put and Call Options. Free folder prepared by broker.

Thus at the very start of such an enterprise, personal judgment and policies will be the determinant factor. In every large city mailing lists may be secured at relatively low cost to make market tests. And if the sales effort is ably presented, unknown buyers will begin to send in cash for their purchases and build up additional trade among their friends. In addition to the price asked, the buyer must of course add sufficient to meet shipping charges.

While there are a lot of ifs and ands about embarking upon a venture of this kind, a really appealing product has in many cases built up a nice income for sponsors who sell it by mail, and here and there will be found instances where astute merchandisers have tied in such a venture while building up some other quite different undertaking. The object of this article is not to encourage the start of such a business, but merely to point out that if circumstances happen to bring a particularly appealing item to the door, progress in selling it may be more rapid and eventually more profitable by enlisting the services of Uncle Sam. But by the same token, woe to him who misrepresents his offerings by mail, for the Federal Trade Commission is alert to give him his just deserts.

Realistic Survey of the Oils

(Continued from page 519)

industry has been greatly stimulated in all manufacturing fields by recent shortages of coal and increased reliance upon motor transportation, while countless by-products of petroleum have become increasingly essential to almost every industry one could name. In spite of temporary slow downs in production of manufactured goods, therefore, it has not been unnatural that industrial buyers have stepped out courageously to fill expected requirements, especially as ample supplies have been obtainable and prices might stiffen. Beyond all reasonable doubt, this gratifying trend should continue to sustain volume for petroleum processors and producers at a high level as industry more and more displays activity.

In the second place, in the opinion of this same source, military consumption during the first half year has been much higher than originally anticipated. True, this may not continue indefinitely at its present pace, although for some time to come no significant decline appears imminent. But of more importance has been the strongly supported civilian demand for gasoline, lubricants and heating fuels, not to mention record-breaking consumption of many items wholly or partly derived from a petroleum base. Cosmetics, paints and plastics, for example, are only the starters of a long list. As for insistent demand from motorists, this has been surprising only because of the increasing daily march to the junk pile of decrepit automobiles. On the other hand, cars for transporting workers to their jobs or to provide increased opportunities for relaxation seem to have increased their mileage, even though approaching the breakdown limit. During the big strike wave, idle workers and their families motored more actively than ever, a fact explaining the substantial stability of the oil industry in more widespread periods of unemployment. Even in the depths of the depression which marked the early 1930s, demand for petroleum products dipped off by only some 15%.

Automotive Demand Ahead

Looking ahead a bit towards the fall, when hundreds of thousands of new automobiles hopefully will roll off the assembly lines, consumer demand from motorists and truckers for oil and gasoline will undoubtedly soar in proportion. The lag in car registrations since Pearl Harbor has now reached an estimated 5 million, a void which may not be filled for several years to come, despite peak efforts by the car makers. Additionally, swarms of shiny new buses are due to appear on the highways, while diesel engines in increasing numbers will be used upon the railroads. Finally, both new and old home owners are planning large scale acquisitions or replacements of oil burning equipment. All in all, unless economic conditions revert to discouraging proportions, demand for petroleum products should steadily expand from now on.

The two big questions remaining, therefore, are the adequacy of supply and, more importantly, the potentials for net earnings. As to the mooted subject of vanishing crude oil deposits, facts and expert opinions of late seem to discredit the view that within the limits of a lifetime or so gasoline and other petroleum products will disappear from the scene. Despite the miraculous output of oil products during war years and the consequent drain upon Nature, proven oil reserves in the United States alone are currently estimated at some 5% above 1941, without considering huge American-controlled new discoveries abroad. But as 1946 total production here at home of crude will

probably average about 4.6 million barrels per day, or 20% more than in 1941, the relationship of extraction to new discoveries is currently out of balance by about 15%, creating a challenge which the industry is preparing to meet.

Gone for the most part are the old days when oil drilling was a hit or miss process. Between oil geologists and equipment technologists exploration for crude has taken on a new meaning in this modern age. Whereas four out of five wild-cat wells have been proven failures, and of more than 550,000 oil wells drilled between 1919 and 1943, some 136,000 were a waste of money, far greater certainty of success is now the rule. Due to increased ability to appraise subterranean structures and current skill in tapping oil pools as far as three miles below the surface, some experts predict that in time oil will be produced in nearly every section of the country. In any event, since World War I, our oil productive capacity has increased fourfold and our current recoverable reserves are estimated at more than 20 billion barrels.

Profit Margins

Within weeks past, Sun Oil Co., as an instance, has announced that after several years of study and more recent drilling, it has opened up a new pool in Louisiana likely to produce 175 million barrels. Surface geology in this case provided scant clues to the existence of this deposit, but delicate instrumentation and penetrating insight did the trick. Such developments warrant potentials for similar important discoveries elsewhere in order to keep the industry long supplied with needed crude. Additionally, proven reserves of natural gas are now almost as large as those of crude oil, and from this source significant quantities of gasoline, formerly wasted, now are utilized. All said, the industry as a whole seems substantially fortified as to basic supplies, and reliance upon imports bids to be a minor factor, although if deemed advisable, many strong domestic concerns are now in a position to bring in

shipments from their huge operations in Latin-America and the Middle East.

In view of evidence of mounting demand and adequate crude as a basis for expanding activity, near term problems of the industry narrow down to questions of profit margins. The recent modest price increase of ten cents a barrel for crude of course enhances the prospects for the producers, and talk is that if OPA is resumed, a further raise of 25 cents may be granted. Whether all price controls will be lifted on petroleum products, as voted by the Senate, remains to be seen. Whatever developments unfold along these lines, well situated oil producers appear headed for a period when, within the limits of State prorations, their sales will be large and with widening profit margins.

Drilling costs, however, have advanced so sharply that exploration outlays will either have to be curtailed or profit margins held down.

In like manner, the refiners stand to benefit from partial or total price relief during the coming six months, especially those which are importantly integrated and hence less affected by changing prices for crude. Early in the year, heavy demand for distillates and residual fuels expanded operations to a point where supplies of gasoline became somewhat top-heavy, for it is impossible to produce one class of products without the other. For these reasons, the price structure tended to weaken slightly, proving valid arguments for release of all price controls. As matters stand, excess inventories of all kinds are likely to reduce to a desirable balance in meeting the prospective demand. Higher wages of course have added to costs, but with more flexible pricing and rising volume profit margins should become increasingly satisfactory a little later on. That improved net earnings will follow seems to be a reasonable conclusion, especially as through heavy refinancing at record low rates, interest charges have been substantially reduced. In support of the latter premise, Texas Co.'s recent sale of $80 million debentures will save about $1 annually for net.

Because of the size of the oil industry, it has been impractical to discuss the individual prospects of its segments or various concerns in detail. But we append some comprehensive tables which may prove constructive to our readers. As a basis for comparison these may reveal some interesting figures. Marketwise, the oil shares during the first six months have exhibited substantial

strength, outdistancing the general market. Currently, the level of the group by the yardstick of our Magazine Index, is only about 3% below the high for 1946. In scanning the table, however, it will appear that in the case of some strong concerns, the yields have considerable appeal, while prospects for others add to their current attraction. In view of the broad outlook, carefully selected oils shares merit a place in many conservative portfolios.

Outlook for Food Processors

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spell increased profits for the bread baking companies, while shortages of materials might tend to curtail profits of the cake and biscuit manufacturers, but these factors will be largely offset by lower taxes as compared with last year. Although there is a high margin of profit in the baking business, this advantage is largely offset by heavy advertising expenses necessary due to keen competition of chain stores and small local bakers (both individual stores and independent bakery routes), but in spite of any unfavorable factors, profits should be satisfactory.

Better Meat Prospects

Since elimination or temporary suspension of O.P.A., stockyards have been flooded with livestock, although at increased prices and the large packers have been able to purchase this meat to better advantage with elimination of price restrictions. Total meat production through May continued close to that of 1945 and is expected to be maintained at a relatively high level through the remainder of the year, according to the Bureau of Agricultural Economics. Production of meat in 1945 was estimated at 22.9 billion pounds (wholesale dressed weight) a decline of 1.8 billion pounds from the record production of 1944. Meat production is declining as indicated by the expected 17 per cent reduction in the 1946 fall pig crop from a year earlier, a sharp reduction in sheep numbers, and a moderate reduction in cattle feeding compared with a year ago. The decline in meat production will be more marked in the spring and summer of 1947 when fall pigs from the 1946 crop are marketed. Federally inspected hog slaughter in the first 5 months of 1946 was 15 per cent greater than a year earlier as the result of delayed marketings of 1945 spring pigs and a 12 per cent increase from a year earlier in the size of the 1945 fall pig crop. The 1946 spring pig crop, which will begin moving to market in October, was reported to be 1½ per cent greater than the 51.6 million head saved in 1945.

Beef and veal supplies will be large, cattle slaughter in the remainder of 1946 promises to be large, as numbers on farms are only moderately less than a year earlier. A larger proportion of the beef produced will be of the lower grades, as the number of cattle in feedlots is materially smaller than a year ago. Good pasture conditions prevail except in a limited drought area of the Southwest, and if continued, will result in a large movement of grass cattle to market beginning in late summer.

Increased Sugar Profits

Recent agreement between the U. S. Department of Agriculture and Cuban mill owners for purchase of the Cuban sugar crop at 3.675 per pound F. O. B. Cuba with a clause providing higher prices in the event of a price rise in the United States should prove beneficial to the Cuban sugar companies. Price is 18½ cents over last year's price, when a short crop was harvested. Demand for sugar will continue to exceed the available supply for some time to come. Operations in Puerto Rico should be satisfactory in spite of increases in labor and materials but will be curtailed somewhat because of the necessity of harvesting immature cane as a result of labor troubles last year, resulting in delayed planting. Substantial gain in sugar output is anticipated for producers in Santo Domingo to about 540,000 tons, a gain of approximately 30 per cent over the 1945 production of 408,000 tons. Considerable gain in earnings is anticipated for American beet sugar producers as a result of anticipated gain of approximately 25 per cent in the sugar beet crop and higher prices. American cane sugar production is estimated at slightly under the 1945 crop, but earnings of these companies should increase as a result of lower taxes and higher prices.

In summation, it may be stated that earnings of the food industry, in spite of present uncertainties over prices and government regulations, purchases for UNRRA and other factors, should exceed those of last year, if only because of lower taxes. First quarter earnings (of those companies reporting) revealed lower sales, due mainly to decreased purchases for the armed forces, but in most cases, profits exceeded 1945 due to tax reductions.

Opportunities for Income and Price Appreciation

(*Continued from page* 523)

duction of $12,498.500 in parent company funded debt. All present preferred shares will be eliminated and the Association's equity capital will consist of 2,300,000 common shares. Earnings of 74 cents a share, after sinking fund requirements, were indicated for the 12 months ended May 31, 1946, in a pro

forma earnings statement included in the registration statement.

BROOKLYN UNION GAS CO.: Underwriting group offered new issue of $34,000,000 2⅞ per cent general mortgage bonds due 1976, at 103 and accrued interest. Proceeds, together with general funds, will be used for redemption on August 15, of $29,240,000 general mortgage 3½s due 1969, and redemption on September 1, of $4,760,000 of 4 per cent debentures, due 1969. New bonds are redeemable on a scale from 106 to par, while for sinking and improvement fund the redemption will be 103 to par.

MISSOURI POWER & LIGHT CO.: Investment banking group offered $7,500,000 first mortgage bonds 2¾ per cent series due 1976 at 102.06 per cent and accrued interest. Proceeds, together with treasury cash will be applied to redemption of $9,000,000 of first mortgage bonds 3¾ per cent series due 1966 at 104¼ per cent. In addition to the bonds an issue of 40,000 shares of 3.90 per cent cumulative preferred stock will also be sold. Upon completion of the new financing, outstanding capitalization will consist of $7,500,000 of the new first mortgage bonds, 40,000 shares of new preferred and 165,000 shares of $20 par common stock.

Bonds are redeemable at $105.10 to June 30, 1947, and thereafter at prices scaling down to the principal amount. Under sinking fund agreement, company will pay to trustee in cash or bonds, by July 1, of each year beginning in 1947, amount equal to 1 per cent of principal amount of bonds outstanding on preceding January 1.

For Profit and Income

(*Continued from page* 529)

the stock has desirable inflation-hedge attributes. In short, this stock shapes up as one of the best scale-down buys in reaction.

We Hear

We hear interesting rumors, not subject to official verification

as yet, that National Dairy Products is planning an aggressive, big-time venture in frozen foods, probably involving installation of low-cost home storage cabinets on a rental, or sale, basis, and a commitment to keep them stocked with regular deliveries of a broad range of frozen foods. It sounds like a logical set-up for a company which already has an elaborate delivery-route system for dairy products. The possibilities are exciting. As it is, on present business, National Dairy should earn from $4 to $4.50 a share this year, suggesting that the dividend might well be boosted from the present $1.40 a year to $2. Putting two and two together, this relatively conservative stock looks quite reasonable at present price just under 39; and it would not take much more reaction to make it look downright cheap.

Around the World

(*Continued from page* 508)

deficits of the other zones—are also cool to the idea, unless the Saar is excluded from the jurisdiction of the central economic agencies.

The point is, however, that the removal of interzonal barriers is not going to be the solution of the German problem. Something more will have to be done if the situation is not to deteriorate and if much good work, done by the American as well as British occupation authorities, is not to be wasted. It may be that it will be necessary to revise the whole Reparations Plan which was adopted last March and which defined the German capacity to produce industry by industry. It is possible that the German overall production—particularly the output of steel and capital goods—will have to be lifted considerably above the agreed levels, so that Germany could produce surpluses of goods which could then be traded for food and raw materials. It is becoming increasingly obvious that the low level of German production is retarding the recovery of the entire continent of Europe; manufacturing industries in the countries neighboring Germany are stalled for the want of machinery parts that only Germany can readily deliver. And some of the countries are already beginning to worry where their raw material and agricultural surpluses will be marketed if Germany is unable to absorb them.

Republican Italy Getting Ready for Economic Reconstruction

The recovery of Europe is likewise impossible without the rehabilitation of Italy. Two recent developments are pertinent from the viewpoint of the general political and economic settlement of the Italian problem. To begin with, the political form of the new state has been decided upon. On June 25, the Italian Republic was born under circumstances that evidenced common sense and astuteness on the part of the people. Second, the peace treaty for Italy is in the final stages of drafting. This means that the Italians will before long know where they stand; it also means that Italy will soon be in full right to select the method of reconstruction and the type of economy that its people want.

Apparently one of the first problems that the Republican Government may tackle is currency reorganization. A new official exchange rate for the lira will have to be fixed to reflect more nearly its internal purchasing power. It is expected that the new rate may be around 300 lire to the dollar; the present official rate is 225 lire and the black market rate has fluctuated between 300 and 450 lire. In recent weeks the Italians have been less anxious to bid for dollars and the black market rate is said to have dropped as low as 250 lire for the dollar.

New currency cannot be effectively stabilized without adjusting the purchasing power to the available goods either by blocking a part of the circulation and of deposits accounts or by imposing some sort of capital levy. The principal political parties, include the Communists, are now trying to work out a compromise measure on capital levy. Another

problem which is being decided is whether or not a general wage increase should wait for production to expand from the present levels.

Labor Strategy From Now On

(*Continued from page 500*)

beyond reason (and sometimes admitting the fact, in private) were in a competitive race with one another to demand more and more for their own groups in order to maintain their positions of leadership.

In the fall of 1945 began the round of major strikes, plus thousands of minor strikes that received only slight attention. The steel workers were given an increase of 18½¢, and steel prices were raised $5 per ton to compensate. The auto workers likewise were given 18½¢, and prices were raised from $16 to $60 or more per car. The railroad employes were given 18½¢, and an "initial" increase of 3 to 6½% was made in freight rates. All of these increases were spoken of by President Truman as being within the limits of the justified "bulge" in wages, which superceded the "hold-the-line" policy based upon the "little Steel formula" of increases adhered to during the war.

"Escalator" Clauses

Mr. Lewis' soft coal miners broke through the "bulge" by demanding, and obtaining, a greater increase, since in addition to 18½¢ hourly they gained vacation benefits estimated to amount to 2½¢ per hour, health and welfare fund 3¢, and adjustment of hours 2¢, making a total increase of 26¢, as a result of which bituminous coal prices were increased 40½¢ (at the mine) per ton. This 26¢ gain by the miners may become the new goal for other labor groups, or they may aim to get even more than Mr. Lewis.

It will be recalled that although many of the recent strikes were settled by collective bargaining contracts running into 1947 or beyond, most of these contain "escalator clauses" providing for a renegotiation of wage scales if general prices rise, without affecting the validity of the rest of the contract. Unions are required to give employers either 30 or 60 days notice, and already some such notices have been served.

The immediate problem, of rising prices catching up with increased wages, arises basically from the excessive supply of money and purchasing power created in this country during the war by the tremendous military expenditures, the heavy Treasury deficits, and the expansion of credit by commercial bank purchases of government securities. This excess money supply will in fact be found to be at the root of most of our current economic problems, including the black market in food, shortage of textiles and clothing, scarcity of houses and apartments, and the soaring markets in city and farm real estate, government and other high-grade bonds, common stocks, and commodities. It can no longer be denied that the country is being swept along in a typical inflation cycle. There are five steps which inevitably follow one another upward with only a short time lag: (1) wages, (2) costs, (3) wholesale prices, (4) retail prices, and (5) cost of living, after which the process is repeated.

Future developments in the face of these conditions will depend upon whether labor demands and obtains more and more wage increases in its race against rising prices, or whether in its own interest labor will cooperate in an effort to stabilize both wages and prices around the higher levels now prevailing. It is significant that the labor laws are no longer regarded as "sacred". President Truman asked Congress for certain restrictive measures and when Congress finally passed the Case Bill, which was not to the President's liking and was vetoed, the House failed by only a narrow margin to pass it over his veto. Not long afterwards the Hobbs Bill to outlaw acts of violence in connection with the movement of goods in interstate commerce became law. Congress recently attached riders to appropriation bills providing that none of the funds could be used to pay any employee who is a member of an organiaztion asserting the right to strike against the Government.

Fortunately there are now signs of progress in getting more fairly-balanced labor legislation eventually (after the elections?) that will permit, as Professor Wolman urges, the working out of agreements and the fulfillment of responsibilities by both sides. Anyone familiar with labor union politics knows that many of the extremely radical statements and threats by union leaders often can be discounted as having been made largely for consumption by their dues-paying membership and by the uninformed section of the public. There is no evidence that labor leaders, barring possibly a few exceptions, have any desire to bring the American industrial system—which has given them the highest standard of living in the world—into a state of chaos. Neither do they desire to force government ownership, since the experience in foreign countries shows that this brings a

liquidation of unions. When a union demands a wage increase, it may well be upon the basis of expert knowledge as to the company's sales, earnings, dividends, and executive salaries, which appear to justify larger payments to labor. Some of the unions, incidentally, are reputed to employ statisticians and economic analysts equal to any in Wall Street.

There is no doubt that, if these facts and the long-term pattern of the labor movement in this country are kept in mind, the abnormal and probably temporary character of many of the disturbing developments since the end of the war are clearly apparent.

Evolution of the American Farmer

(*Continued from page* 503)

than those used in farming.

Profit Ratios of Farm Implement Makers

	1939 Sales in Thousands	Net Income per Dollar of Sales
Allis-Chalmers Mfg. Co.	$74,340	5.0¢
B. F. Avery & Sons Co. .	1,934	0.3
J. I. Case Co.	20,805	1.7
Caterpillar Tractor Co.	58,433	10 3
Cleveland Tractor Co. .	6,120	d5.0
Deere & Co.	70,165	10.9
Demster Mill Mfg. Co.	2,126	4 0
Intern'l Harvester Co.	267,027	4.9
Minn.-Moline Power Impl. Co.	13,446	0 5
F. E. Myers & Bros. Co.	4,423	18 1
New Idea, Inc.	4,007	14.8
Oliver Corporation	19,112	2.2
Total 12 Companies	$541,938	6.0¢

Moreover, while it has been found to be comparatively easy for a well-equipped metal-working company to design and manufacture farm machinery, the basic patents upon which expired years ago, there is no quick and easy way to build up a successful retail and service organization stretching throughout the rural areas. In many communities, there is but one dealer, and he is likely to be tied up with long-standing franchises and already booked with heavy orders. Farmers as a class are noted for being extremely practical people, who expect for their money spent on machinery full value on the basis of utility, economy in operation, and long life.

As to farm demand for goods other than machinery, it is practically impossible to compile an inclusive list, and it would, in fact, be easier to undertake a listing of those things that modern farmers *do not* buy. There will be heavy farm demand for electrical equipment and fixtures, stimulated by the growth of the Rural Electrification program, including motors, radios, stoves, washing machines, vacuum cleaners, clocks, ,and other appliances.

The same is true of an almost countless number of other industries, such as automobiles and trucks, building equipment and supplies, hardware and tools, tires, furniture, clothing, shoes, fertilizer, paint, and so on. The big chain stores and department stores now have an enormous trade with farmers, and even the amusement industry reaches a large part of the farm population through its small town and village theaters. The railroads and public utility companies have a stake in farm prosperity.

Although the boom in farm income, or any other boom, cannot be expected to endure forever, there seems little reason to believe that a substantial slump is due in the near future.

Is Dollar Depreciation In the Offing?

(*Continued from page* 498)

the dollar, large foreign holders of U. S. investments—which includes foreign governments—may elect to sell some of their holdings to forestall possible capital losses. Just how appreciable such liquidation might be is not clear, but it is a factor to be considered in any over-all evaluation.

Securities payable in Canadian dollars would tend to move in accord with that currency in most cases. U.S. holders of these issues would stand to benefit from the fact that every dollar of dividends or interest from these investments is now worth 10 per cent more than heretofore. However, certain

types of Canadian companies, such as pulp and paper exporters, suffer offsetting disadvantages, and might have to raise prices or face a squeeze on profits. Gold mining concerns are adversely affected, since the markup in the Dominion dollar in effect reduces the selling price of their product in this country without a corresponding drop in operating costs, unless they are granted some form of tax relief.

Securities of other nations selling in our markets payable in their respective currencies will naturally tend to follow the exchange fluctuations of these various currencies, particularly with respect to foreign government bonds. However, in such a complex market, each situation is a law unto itself, and merits individual study by the investor.

As I See It!

(*Continued from page* 493)

control the atomic bomb herself, her logical move is to checkmate it diplomatically, hence, her stubborn insistence upon a controlling veto and utter refusal to accept the Baruch and other compromise plans.

Realizing what Moscow's aims and strategy are, the western allies will be better able to outmaneuver her at the conference table. But there is a real and terrible danger that by laxity and compromise, they may weaken their bargaining position and allow Russia to score her points by the wiles at which she is so adept. To yield in any way on control of the atomic bomb is tantamount to lose control of it militarily, and thus forfeit the last hope of world peace. The free peoples of the world must make themselves h e a r d while there is still time.

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